

Annual Financial Statements 2016/2017

Endumeni Municipality

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Annual Financial Statements

for

Endumeni Municipality

for the year ended 30 June:

2017

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

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Name of Acting Chief Financial Officer:	Mr BB Mdletshe
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Endumeni Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

General information

Members of the Council with effect from 10 August 2016

Cllr SR Mbatha	Mayor - Exco member
Cllr WN Mbatha - Makhathini	Speaker
Cllr I Bedassi	Member of the Executive Committee
Cllr TM Mahaye	Member of the Executive Committee
Cllr NE Khanyile	Member
Cllr AM Raubenheimer	Member
Cllr TB Zitha	Member
Cllr SN Zwane	Member
Cllr TI Makaba	Member
Cllr SB Mdluli	Member
Cllr MH Xaba	Member
Cllr CJ Carelse	Member
Cllr TL Khumalo	Member

Members of the Previous Council

Cllr TM Mahaye	Mayor - Exco member
Cllr TB Mkhize	Deputy Mayor - Exco member
Cllr SB Mdluli	Speaker
Cllr AM Raubenheimer	Member of the Executive Committee
Cllr E Adam	Member
Cllr Ms WN Mbatha	Member
Cllr JA Mfeka	Member
Cllr DP Ncala	Member
Cllr SR Mbatha	Member
Cllr LP Mbhele	Member
Cllr TI Makaba	Member
Cllr SW Dhlamini	Member

Acting Municipal Manager

Mr LB Mpontshane

Acting Chief Financial Officer

Mr BB Mdletshe

Grading of Local Authority

3

Auditors

Auditor-General

Primary Bank

FNB Bank

Endumeni Municipality
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General information (continued)

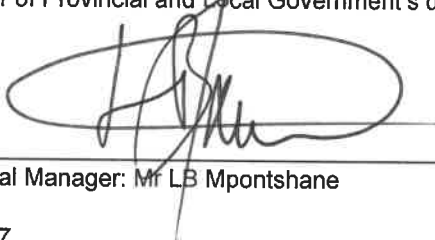
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Endumeni Municipality
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on **pages 5 to 64**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment and the high rate of electricity losses due to theft.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Acting Municipal Manager: Mr LB Mpontshane

31 August 2017

Endumeni Municipality
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Endumeni Municipality
Statement of Financial Position
as at 30 June 2017

	Note	2017 R	2016 RESTATED R
ASSETS			
Current assets		74 153 237	91 307 230
Inventories	2	4 750 004	3 507 394
Bank balances and cash	3	3 772 947	1 303 476
Current portion of non-current receivables	4	5 710	5 785
Trade and other receivables from exchange transactions	5	4 270 559	4 940 546
Trade and other receivables from non-exchange transactions	6	11 753 371	14 508 693
Current investments	7	49 600 646	67 041 335
Non-current assets		310 828 961	277 056 377
Property, plant and equipment	8	272 837 784	251 546 901
Intangible assets	9	22 177	31 477
Investment property	10	37 969 000	25 478 000
Total assets		384 982 198	368 363 607
LIABILITIES			
Current liabilities		43 982 524	48 168 201
Trade and other payables from exchange transactions	11	26 219 089	19 249 968
Consumer deposits	12	4 524 999	4 186 021
VAT payable	13	1 989 346	2 040 003
Current provisions	14	2 552 823	2 476 056
Current portion of unspent conditional grants and receipts	15	5 820 457	17 655 065
Current portion of long-term borrowings	16	2 875 809	2 561 088
Non-current liabilities		59 721 483	65 721 011
Non-current borrowings	16	-	2 758 878
Non-current provisions	14	10 553 683	11 970 943
Defined benefit plan obligations	44	49 167 800	50 991 190
NET ASSETS		281 278 192	254 474 396
Housing Development Fund	17	4 359 245	4 336 637
Other Reserves	18	897 688	854 804
Accumulated surplus / (deficit)		276 021 259	249 282 955
Total net assets		281 278 192	254 474 396

Endumeni Municipality
Statement of Financial Performance
for the year ending 30 June 2017

	Note	2017	2016 RESTATED
		R	R
REVENUE			
Revenue from exchange transactions		140 005 359	131 973 277
Service charges	20	127 544 126	120 530 864
Rental of facilities and equipment	21	1 601 113	1 578 749
Interest earned - external investments	22	4 472 619	3 984 499
Interest earned - outstanding receivables	23	214	2 505
Licences and permits		4 313 219	4 284 502
Other income from exchange transactions	25	2 074 067	1 592 158
Revenue from non-exchange transactions		143 773 039	150 198 447
Property rates	19	62 346 376	57 681 385
Property rates - penalties and collection charges		5 831 679	6 418 838
Fines		2 369 194	2 753 701
Government grants and subsidies	24	73 225 791	83 344 522
Total revenue		283 778 398	282 171 724
EXPENSES			
Employee related costs	26	91 977 330	79 692 570
Remuneration of councillors	27	3 845 874	3 559 888
Debt Impairment		6 994 794	9 521 015
Unwinding discount on landfill site provision		(1 350 920)	1 972 671
Municipal services cost		3 668 135	3 834 245
Depreciation	28	9 557 515	7 592 020
Amortisation		9 299	11 525
Finance costs	29	509 766	790 392
Bulk purchases	30	81 492 020	75 592 334
Contracted services	31	14 599 274	14 061 183
General expenses	32	56 252 937	47 348 832
Retirement and long services benefits	44	655 348	9 387 495
Total expenses		268 211 372	253 364 172
Gain / (loss) on sale of assets	33	-	452 973
(Impairment loss) / Reversal of impairment loss	34	(1 226 315)	(120 473)
Gain / (loss) on fair value adjustment	35	12 491 000	3 013 966
Inventories: (Impairment loss)/ Reversal of impairment loss	34	(93 407)	(78 218)
Surplus / (deficit) for the period		26 738 304	32 075 800

Endumeni Municipality
Statement of Changes in Net Assets
as at 30 June 2017

	Housing Development Fund	Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
Opening balance as previously reported 2015	4 208 332	901 309	231 604 365	236 714 005
Prior Period Errors (Refer to Note 39)				
Housing Creditors reversed	-	-	742 949	742 949
Umzinyathi District Creditor reversed	-	-	3 798 444	3 798 444
Expenditure items incorrectly capitalised	-	-	(16 198 862)	(16 198 862)
Accumulated Depreciation on Assets unbundled	-	-	(1 152 672)	(1 152 672)
Restated Balance as at 30 June 2015	4 208 332	901 309	218 794 224	223 903 865
Surplus for the year	-	-	32 075 800	32 075 800
Transactions for the year	128 305	(46 505)	-	81 800
Prior Period Error - Prepaid Meters erroneously capitalised	-	-	(1 587 069)	(1 587 069)
Effect of rounding in the financial statements	-	-	1	1
Restated Balance as at 30 June 2016	4 336 637	854 804	249 282 955	254 474 396
Surplus / (deficit) for the period	-	-	26 738 304	26 738 304
Transactions for the year	22 608	42 884	-	65 492
Effect of rounding in the financial statements	-	-	-0	-0
Balance at 30 June 2017	4 359 245	897 688	276 021 259	281 278 191

Endumeni Municipality
Cash Flow Statements
as at 30 June 2017

	Note	2017 R	2016 RESTATED R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		270 647 773	272 102 323
Sales of goods and services		201 759 591	185 510 797
Grants		68 888 183	86 591 526
Payments		256 218 433	227 336 630
Employee costs		88 519 069	67 087 356
Suppliers		167 699 364	160 249 274
Cash generated from operations	36	14 429 340	44 765 694
Interest received		4 472 834	3 987 004
Interest paid		(392 834)	(626 546)
Net cash flows from operating activities		18 509 339	48 126 152
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(31 233 349)	(36 557 368)
Proceeds from sale of fixed assets		-	891 036
Purchase of intangibles		-	(10 921)
Decrease/(Increase) in Loans and receivables		(25 099)	(14 645)
Net cash flows from investing activities		(31 258 448)	(35 691 899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2 561 088)	(2 237 515)
Decrease/(Increase) in Consumer deposits		338 978	245 484
Net cash flows from financing activities		(2 222 110)	(1 992 031)
Net increase / (decrease) in cash and cash equivalents		(14 971 219)	10 442 222
Net cash and cash equivalents at beginning of period		68 344 812	57 902 590
Net cash and cash equivalents at end of period	37	53 373 593	68 344 812

Endumeni Municipality Statement of Comparison of Budget and Actual Information as at 30 June 2017														
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	2 016 Restated Audited Outcome
Financial Performance														
Property rates	67 033 210	4 920 605	71 953 815		71 953 815	68 178 055		-3 775 760	95	102				64 100 223
Service charges	131 869 643	650 000	132 519 643		132 519 643	127 544 126		-4 973 517	96	97				120 530 864
Investment revenue	2 928 000	1 000 000	3 928 000		3 928 000	4 472 619		544 619	114	153				3 984 499
Transfers recognised - operational	43 214 001	2 000 000	45 214 001		45 214 001	46 683 544		1 469 543	103	108				68 961 522
Other own revenue	8 792 963	-272 500	8 520 463		8 520 463	22 848 807		14 328 344	268	260				13 225 582
Total Revenue (excluding capital transfers and contributions)	253 837 817	8 298 105	262 135 922		262 135 922	269 727 151			103					270 802 690
Employee costs	98 562 272	761 188	99 323 460	256 445	99 579 905	91 977 330	-7 602 575	7 591 229	92	106				79 692 570
Remuneration of councillors	4 023 362	-	4 023 362	-	4 023 362	3 845 874	-177 488	-177 488	96	96				3 559 888
Debt impairment	6 061 932	-	6 061 932	-	6 061 932	6 994 794	932 862	932 862	115	115				9 521 015
Depreciation & asset impairment	9 263 060	-	9 263 060	-	9 263 060	10 793 129	1 540 069	1 540 069	117	117				7 724 018
Finance charges	585 043	-	585 043	-	585 043	509 766	-75 277	-75 277	87	87				790 392
Materials and bulk purchases	76 953 500	817 000	77 770 500	-19 200	77 751 300	82 057 127	4 305 827	4 305 827	106	107				76 157 166
Transfers and grants	4 024 160	-	4 024 160	-	4 024 160	4 016 484	-7 696	-7 696	100	100				3 398 314
Other expenditure	56 271 311	6 271 147	62 542 458	-237 245	62 305 213	69 336 590	7 031 377	7 031 377	111	123				72 266 528
Total Expenditure	255 734 660	7 849 335	263 583 995	-237 245	263 583 995	269 531 094	5 947 099	5 947 099	102	105				253 109 580
Surplus/(Deficit)	-1 896 843	448 770	-1 448 073		-1 448 073	196 058		1 644 131	-14	-10				17 692 789
Transfers recognised - capital	24 551 000	-	24 551 000		24 551 000	26 542 247		1 991 247	108	108				14 383 000
Contributions recognised - capital & contributed assets														
Surplus/(Deficit) after capital transfers & contributions	22 654 157	448 770	23 102 927		23 102 927	26 738 304		3 635 377	116	118				32 075 799
Share of surplus/ (deficit) of associate														
Surplus/(Deficit) for the year	22 654 157	448 770	23 102 927		23 102 927	26 738 304		3 635 377	116	118				32 075 799
Capital expenditure & funds sources														
Capital expenditure	36 714 106	448 770	37 162 876		37 162 876	32 074 713		-5 088 163	87	87				36 742 982
Transfers recognised - capital	24 551 000	-	24 551 000		24 551 000	26 542 247		1 991 247	108	108				14 383 000
Public contributions & donations		-	-		-	841 363								
Borrowing		-	-		-									
Internally generated funds	12 163 106	448 770	12 611 876		12 611 876	4 691 103		-7 920 773	37	39				22 359 982
Total sources of capital funds	36 714 106	448 770	37 162 876		37 162 876	841 363		-36 321 513	2	2				36 742 982
Cash flows														
Net cash from (used) operating	33 691 484	448 770	34 140 254		34 140 254	18 509 339		-15 630 915	54	55				48 126 152
Net cash from (used) investing	-30 859 121	-448 770	-31 307 891		-31 307 891	-31 258 448		49 443	100	101				-35 691 899
Net cash from (used) financing	-2 575 809	-	-2 575 809		-2 575 809	2 222 110		353 689	86	86				-1 992 031
Cash/cash equivalents at the year end	42 635 647	-	42 635 647		42 379 093	53 373 593		10 994 500	126	125				66 344 812

Endumeni Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
as at 30 June 2017

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality

COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP and interpretations of Standards of GRAP approved have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 32 - Service Concession Arrangements: Grantor

GRAP 108 - Statutory Receivables

IGRAP 17 - Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

GRAP 18 - Segment Reporting

GRAP 20 - Related Party Disclosures

Management have considered all of the above-mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.2 PROPERTY, PLANT AND EQUIPMENT

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Water	5 - 100 years	Motor Vehicles	4 - 20 years
Sewerage	10 - 60 years	Buildings	5 - 30 years
Other	10 - 30 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 HERITAGE ASSETS

INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

DERECOGNITION

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.4 INTANGIBLE ASSETS

INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
 - it is technically feasible to complete the intangible asset;
 - the municipality has the resources to complete the project; and
 - it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

IMPAIRMENT

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.5 INVESTMENT PROPERTY

INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

SUBSEQUENT MEASUREMENT

Investment property is subsequently measured at fair value model. The fair value of investment property is based on the valuation roll values of the local municipality in whose jurisdiction the investment property is situated. Fair value is adjusted when a new valuation roll is implemented by the local municipality for property tax purposes. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

DERECOGNITION

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.6 INVENTORIES

INITIAL RECOGNITION AND MEASUREMENT

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

DERECOGNITION

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7 FINANCIAL INSTRUMENTS

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

INITIAL MEASUREMENT

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

INVESTMENTS AT AMORTISED COSTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

INVESTMENT AT FAIR VALUE

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

INVESTMENT AT COST

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

TRADE PAYABLES AND BORROWINGS

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.71 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.72 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.73 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.74 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.75 BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.76 LEASES

MUNICIPALITY AS LESSEE

RECOGNITION

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

DERECOGNITION

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

MUNICIPALITY AS LESSOR

RECOGNITION

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.77 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

EXPENDITURE FROM EXCHANGE

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

RECOGNITION

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

MEASUREMENT

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from spot fines and summons are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

1.78 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

1.79 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.8 RETIREMENT BENEFITS

SHORT TERM EMPLOYEE BENEFITS

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

1.81 POST-EMPLOYMENT BENEFITS

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

POST RE-TIREMENT HEALTH CARE BENEFITS

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

1.82 IMPAIRMENT OF NON-FINANCIAL ASSETS

RECOGNITION

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

MEASUREMENT

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

REVERSAL OF IMPAIRMENT

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS

PROPERTY, PLANT AND EQUIPMENT

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

INTANGIBLE ASSETS

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

INVESTMENT PROPERTY HELD AT COST

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

HERITAGE ASSETS

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of heritage asset have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

BIOLOGICAL ASSETS HELD AT COST

Where the carrying amount of an item of biological assets held at cost is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of biological assets held at cost have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

RELATED PARTIES

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality. Refer to Note 46 - Related Parties

CAPITAL COMMITMENTS

A capital commitment is a binding agreement to undertake capital expenditure at some time in the future which has not yet become an actual liability

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	RESTATED 2016
		R	R
2 INVENTORIES			
Electricity		3 389 100	2 528 519
Consumable stores		1 163 977	766 381
Mechanical spares		19 077	30 686
Fuel and oils		177 850	181 808
Closing balance of inventories		4 750 004	3 507 394
Write down of inventory		85 490	28 648

Inventory has been impaired for redundant and obsolete items

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval

3 BANK BALANCES AND CASH

Cash and cash equivalents consist of the following:

Cash on hand	14 800	14 850
Cash at bank	3 758 147	1 288 626
	3 772 947	1 303 476

The Municipality has the following bank accounts: -
Current Account (Primary Bank Account)

First National Bank Account - Dundee Branch
Account Number 62025460651: Cheque Account

Cash book balance at beginning of year	1 288 626	983 023
Cash book balance at end of year	3 758 147	1 288 626
Bank statement balance at beginning of year	1 288 626	983 023
Bank statement balance at end of year	3 758 147	1 288 626

4 NON-CURRENT RECEIVABLES

Housing - Selling scheme loans	571 048	578 548
Housing - Sibongile	1 209 643	1 177 044
Housing - Individual selling scheme loans	140 507	140 507
	1 921 199	1 896 099
Less : Provision for housing receivables	(1 915 488)	(1 890 314)
	5 710	5 785
Less : Current portion transferred to current receivables	(5 710)	(5 785)
Total Non Current Receivables	-	-

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%. Title to many of these properties have been handed over to the beneficiaries in the 2015/16 financial year.

5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade and Other Receivables from Exchange

	R	R
Electricity	3 814 968	4 138 782
Refuse	15 431 280	13 497 373
Debtors for Value Added Taxation	2 771 135	2 555 588
Estate	62 252	59 771
Interest	8 665 437	7 804 829
Refund	266 517	131 647
Deposit Housing	5 104	4 058
Deposit Electricity	57 408	28 370
Receipt	(706 568)	(645 575)
Housing Levy	434 454	378 275
Legal Fees	145 097	107 779
Sundry Adjustments	-	256 983
Total Service Debtors	30 947 082	28 317 881
Provision for Doubtful Debts	(26 676 523)	(23 377 335)
Total	4 270 559	4 940 546

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	RESTATED 2016
		R	R
<u>Electricity: Ageing</u>			
Current (0 – 30 days)		3 192 716	3 765 550
31 - 60 Days		20 831	8 782
61 - 90 Days		15 485	6 507
91 - 120 Days		7 247	9 648
Greater than 120 days		578 689	348 296
Total		3 814 968	4 138 782
<u>Refuse: Ageing</u>			
Current (0 – 30 days)		1 536 463	1 454 801
31 - 60 Days		323 468	265 638
61 - 90 Days		293 393	245 960
91 - 120 Days		286 442	238 647
Greater than 120 days		12 991 513	11 292 327
Total		15 431 280	13 497 373
<u>Debtors for Value Added Taxation: Ageing</u>			
Current (0 – 30 days)		666 102	736 043
31 - 60 Days		50 434	38 989
61 - 90 Days		44 364	35 826
91 - 120 Days		42 188	36 005
Greater than 120 days		1 968 047	1 708 725
Total		2 771 135	2 555 588
<u>Estate: Ageing</u>			
Current (0 – 30 days)		1 871	1 945
31 - 60 Days		687	607
61 - 90 Days		687	567
91 - 120 Days		752	562
Greater than 120 days		58 254	56 090
Total		62 252	59 771
<u>Interest: Ageing</u>			
Current (0 – 30 days)		261 337	251 584
31 - 60 Days		124 484	122 537
61 - 90 Days		121 921	121 044
91 - 120 Days		120 493	125 412
Greater than 120 days		8 037 201	7 184 253
Total		8 665 437	7 804 829
<u>Refund: Ageing</u>			
Current (0 – 30 days)		91 635	25 221
31 - 60 Days		10 224	268
61 - 90 Days		2 519	8 312
91 - 120 Days		13 775	23 905
Greater than 120 days		148 365	73 940
Total		266 517	131 647
<u>Deposit Housing: Ageing</u>			
Current (0 – 30 days)		704	804
31 - 60 Days		200	250
61 - 90 Days		200	155
91 - 120 Days		200	150
Greater than 120 days		3 800	2 700
Total		5 104	4 058

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	RESTATED 2016
		R	R
<u>Deposit Electricity: Ageing</u>			
Current (0 – 30 days)		31 849	20 066
31 - 60 Days		15 729	285
61 - 90 Days		300	6
91 - 120 Days		-	900
Greater than 120 days		9 530	7 113
Total		57 408	28 370
<u>Add back credits Included above: Ageing</u>			
Current (0 – 30 days)		(385 779)	(403 318)
31 - 60 Days		(37 636)	(45 291)
61 - 90 Days		(28 764)	(28 091)
91 - 120 Days		(24 205)	(32 927)
Greater than 120 days		(230 185)	(135 947)
Total		(706 568)	(645 575)
<u>Housing Levy: Ageing</u>			
Current (0 – 30 days)		43 189	50 433
31 - 60 Days		13 123	15 279
61 - 90 Days		13 009	10 425
91 - 120 Days		13 009	10 373
Greater than 120 days		352 124	291 765
Total		434 454	378 275
<u>Legal Fees: Ageing</u>			
Current (0 – 30 days)		35 760	22 796
31 - 60 Days		8 360	6 017
61 - 90 Days		11 712	5 102
91 - 120 Days		-	182
Greater than 120 days		89 265	73 682
Total		145 097	107 779
<u>Sundry Adjustments: Ageing</u>			
Current (0 – 30 days)		-	11 901
31 - 60 Days		-	1 592
61 - 90 Days		-	772
91 - 120 Days		-	1 592
Greater than 120 days		-	241 126
Total		-	256 983
Included in the trade and Other Receivables from exchange balances are the amounts owed by other spheres of Government:			
<u>Other spheres of Government: Ageing</u>			
Current (0 – 30 days)		432 275	673 363
31 - 60 Days		35 097	10 598
61 - 90 Days		(207 423)	17 948
91 - 120 Days		16 005	17 481
Greater than 120 days		2 403 088	2 414 905
Total		2 679 042	3 134 295
<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2017			
Current (0 – 30 days)	5 135 369	4 158 544	432 275
31 - 60 Days	1 181 364	154 939	35 097
61 - 90 Days	1 096 039	143 460	-207 423
91 - 120 Days	1 078 065	113 434	16 005
121+ Days	57 327 143	3 855 412	2 403 088
Sub-total	65 817 980	8 425 789	2 679 042
Total debtors			76 922 811
Add back consumers with credit balances			1 153 696
Total debtors by customer classification			78 076 508

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	RESTATED 2016
		R	R
as at 30 June 2016			
Current (0 – 30 days)	4 862 193	4 212 863	673 363
31 - 60 Days	1 028 278	126 833	10 598
61 - 90 Days	1 005 366	97 140	17 948
91 - 120 Days	973 789	96 845	17 481
121 + Days	51 424 219	3 611 385	2 414 905
Sub-total	59 293 845	8 145 066	3 134 295
Total debtors			70 573 206
Add back consumers with credit balances			762 917
Total debtors by customer classification			71 336 123

5 Reconciliation of the doubtful debt provision

Reconciliation of the Bad Debt Provision

Balance at beginning of the year	71 978 509	69 278 641
Revenue from exchange	23 377 335	24 143 164
Non-current receivables	1 890 314	1 447 004
Revenue from non-exchange	46 710 860	43 688 473
Contribution to provision	6 994 794	2 699 868
Revenue from exchange	3 299 188	(765 830)
Non-current receivables	25 174	443 310
Revenue from non-exchange	3 670 432	3 022 387
Revenue from exchange	26 676 523	23 377 335
Non-current receivables	1 915 488	1 890 314
Revenue from non-exchange	50 381 293	46 710 860
Balance at end of year	78 973 303	71 978 509
Bad debts written off against the provision	-	6 821 147

**TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE
6 TRANSACTIONS**

Trade Receivables - Property Rates	28 498 265	25 741 528
Penalties	16 754 611	15 525 289
Collection Fees	1 876 550	1 751 425
Other Debtors	15 005 237	18 201 311
	62 134 663	61 219 553
Less provision for bad debts	(50 381 293)	(46 710 860)
Total	11 753 371	14 508 693

Rates: Ageing

Current (0 – 30 days)	4 152 446	3 804 750
31 - 60 Days	636 655	590 179
61 - 90 Days	590 825	502 538
91 - 120 Days	542 847	475 270
Greater than 120 days	22 575 492	20 368 791
Total	28 498 265	25 741 528

Penalties: Ageing

Current (0 – 30 days)	423 767	390 032
31 - 60 Days	207 552	190 356
61 - 90 Days	205 474	187 708
91 - 120 Days	202 445	201 540
Greater than 120 days	15 715 373	14 555 652
Total	16 754 611	15 525 289

Collection Fees: Ageing

Current (0 – 30 days)	86 037	79 795
31 - 60 Days	41 217	34 360
61 - 90 Days	40 242	58 751
91 - 120 Days	37 721	29 789
Greater than 120 days	1 671 334	1 548 729
Total	1 876 550	1 751 425

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2017

Note	2017	RESTATED 2016
	R	R
<u>Property rates past due but not impaired</u>		
Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2017 R3 413 311 (2016 R 702 174) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	135 351	397 095
2 months past due	97 935	179 628
3 months past due	353 639	125 450
<u>Property rates impaired</u>		
As of 30 June 2017, property rates of R 24 309 102 (2016 R 21 462 492) were impaired and provided for.		
The ageing of these receivables is as follows:		
3 to 4 months	940 110	696 125
Over 4 months	22 010 942	19 719 770
The fair value of property rates approximates their carrying amounts.		
7 INVESTMENTS		
7 CURRENT		
Investments - General Account	41 680 116	55 671 383
Investments - Museum Trust Fund	10 000	10 104
Investments - Government Grants and Subsidies	7 910 529	11 359 849
	49 600 646	67 041 335
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investment General Account		
<i>Absa Bank Account - Dundee Branch</i>		
<i>Account Number 9072089566 : Call Account</i>		
Bank statement balance at the beginning of the year	5 999 360	5 999 680
Bank statement balance at the end of the year	5 999 360	5 999 360
Investment Interest Earned		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62509652419 : Call Account</i>		
Bank statement balance at the beginning of the year	2 137 075	2 137 075
Bank statement balance at the end of the year	10 407 002	6 073 503
Investment VAT		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62509650851 : Call Account</i>		
Bank statement balance at the beginning of the year	3 358 425	3 358 425
Bank statement balance at the end of the year	8 769 908	4 188 520
Investment General Account		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62113431390 : Money Market Account</i>		
Bank statement balance at the beginning of the year	39 410 000	35 410 000
Bank statement balance at the end of the year	810 000	39 410 000
Investment General Account		
<i>Grindrod Bank - Durban Branch</i>		
<i>Account Number 11000207002 Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	5 239 294	-
Investment General Account		
<i>Ithala Bank - Nquthu Branch</i>		
<i>Account Number 36744276</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	5 205 204	-
Investment General Account		
<i>Investec Branch - Sandton Branch</i>		
<i>Account Number 540709 fixed deposit</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	5 249 348	-

Endumeni Municipality
Notes to The Annual Financial Statements
for the year ended 30 June 2017

	Note	2017	RESTATED 2016
		R	R
TOTAL INVESTMENTS (CURRENT ACCOUNT) :		41 680 116	55 671 383
Investment Museum Trust Fund			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62127781236 : Money Market Account</i>			
Bank statement balance at the beginning of the year		10 104	10 097
Bank statement balance at the end of the year		<u>10 000</u>	<u>10 104</u>
TOTAL INVESTMENT (MUSEUM TRUST FUND) :		10 000	10 104
Investment Projects			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62047254941 : Call Account</i>			
Bank statement balance at the beginning of the year		3 652 400	3 397 412
Bank statement balance at the end of the year		<u>4 093 544</u>	<u>3 652 400</u>
Investment Sibongile Hostel			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62045928069 : Call Account</i>			
Bank statement balance at the beginning of the year		506 673	480 838
Bank statement balance at the end of the year		<u>537 302</u>	<u>506 673</u>
Investment Sithembile Hostel			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62063967718 : Call Account</i>			
Bank statement balance at the beginning of the year		349 076	331 198
Bank statement balance at the end of the year		<u>370 178</u>	<u>349 076</u>
Investment Training of Councillors			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62310958098 : Call Account</i>			
Bank statement balance at the beginning of the year		27 602	27 602
Bank statement balance at the end of the year		<u>27 602</u>	<u>27 602</u>
Investment Transfer / Buyback Centre			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62130398903 : Call Account</i>			
Bank statement balance at the beginning of the year		7 288	6 912
Bank statement balance at the end of the year		<u>7 731</u>	<u>7 288</u>
Investment Sibongile Library Internet			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62173631948 : Call Account</i>			
Bank statement balance at the beginning of the year		381 822	251 756
Bank statement balance at the end of the year		<u>647 754</u>	<u>381 822</u>
Investment Housing Operating Account			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62412969084 : Call Account</i>			
Bank statement balance at the beginning of the year		427 278	405 229
Bank statement balance at the end of the year		<u>453 180</u>	<u>427 278</u>
Investment Rural Horse Riding			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62599265876 : Money Market Account</i>			
Bank statement balance at the beginning of the year		3 217 355	-
Bank statement balance at the end of the year		<u>241 392</u>	<u>3 217 355</u>
Investment Small Town Rehabilitation			
<i>First National Bank Account - Dundee Branch</i>			
<i>Account Number 62521487894 : Money Market Account</i>			
Bank statement balance at the beginning of the year		2 790 355	5 085 283
Bank statement balance at the end of the year		<u>1 531 847</u>	<u>2 790 355</u>
TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :		7 910 529	11 359 849
TOTAL CURRENT INVESTMENTS		49 600 646	67 041 335

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2017

8 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Electricity	Infrastructure Roads	Assets under construction	Infrastructure Other	Machinery & Equipment	Furniture & Equipment	Motor Vehicles	Leased Assets	Housing Letting schemes	Total
as at 1 July 2016	61 044 317	18 643 752	19 678 786	110 133 661	25 687 971	3 910 058	4 779 553	2 117 533	4 539 049	1 682	1 010 539	251 546 901
Cost/Revaluation	61 044 317	34 585 265	36 443 068	155 459 369	25 687 971	7 537 996	10 312 112	7 830 309	9 962 461	9 978	1 247 483	350 120 329
Accumulated depreciation	-	(14 945 704)	(16 565 881)	(42 007 963)	-	(3 467 329)	(5 368 692)	(5 671 860)	(5 394 350)	(8 296)	-	(93 430 075)
Accumulated impairment	-	(995 808)	(198 402)	(3 317 745)	-	(160 608)	(163 867)	(40 916)	(29 063)	-	(236 945)	(5 143 354)
Acquisitions	-	195 680	-	-	24 752 819	817 500	1 700 248	1 263 537	2 503 566	-	-	31 233 350
Donated Assets	-	-	-	-	-	-	828 050	13 313	-	-	-	841 363
Assets under construction brought into use	-	17 229 666	4 366 902	62 342	(24 013 047)	2 099 338	254 799	-	-	-	-	-0
Depreciation	-	(1 236 256)	(868 033)	(5 051 084)	-	(522 232)	(864 602)	(590 632)	(624 130)	(546)	-	(9 557 515)
Impairment	-	(1 071 031)	(14 216)	(139 443)	-	-	-	(1 625)	-	-	-	(1 226 315)
as at 30 June 2017	61 044 317	33 761 812	23 163 439	105 005 475	26 427 743	6 304 665	6 898 047	2 802 127	6 418 484	1 136	1 010 539	272 837 784
Cost/Revaluation	61 044 317	52 010 611	40 809 970	155 521 711	26 427 743	10 454 834	13 095 208	9 107 160	12 486 027	9 978	1 247 483	362 195 042
Accumulated depreciation	-	(16 181 960)	(17 433 914)	(47 059 048)	-	(3 989 561)	(6 033 294)	(6 262 491)	(6 018 480)	(8 842)	-	(102 987 590)
Accumulated impairment	-	(2 066 839)	(212 618)	(3 457 188)	-	(160 608)	(163 867)	(42 541)	(29 063)	-	(236 945)	(6 369 669)

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Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
as at 30 June 2016

**Reconciliation of Carrying
8 Value**

as at 1 July 2015

Cost/Revaluation
Accumulated depreciation
Accumulated impairment

**Prior Period Errors (Refer to
Note 39)**

Unbundling of completed
projects
Expenditure items capitalised in
error
Depreciation on unbundled
assets

Reconciliation of Carrying Value	Land	Buildings	Infrastructure Electricity	Infrastructure Roads	Assets under construction	Infrastructure Other	Machinery & Equipment	Furniture & Equipment	Motor Vehicles	Leased Assets	Housing Letting schemes	Total
as at 1 July 2015	61 044 317	18 450 236	20 113 534	93 704 289	17 363 776	4 214 253	3 224 654	1 534 809	3 867 760	2 230	1 021 684	224 541 543
Cost/Revaluation	61 044 317	28 164 942	36 656 687	126 951 346	46 699 731	7 373 790	9 919 153	7 925 527	9 645 451	10 488	1 247 483	335 638 915
Accumulated depreciation	-	(13 678 758)	(16 367 913)	(36 976 637)	-	(3 008 009)	(6 219 124)	(6 328 359)	(5 599 359)	(8 257)	-	(88 186 415)
Accumulated impairment	-	(990 205)	(175 239)	(3 300 586)	-	(151 528)	(475 375)	(62 359)	(178 332)	-	(225 799)	(5 559 423)
Prior Period Errors (Refer to Note 39)												
Unbundling of completed projects	-	5 383 375	-	7 753 718.63	(13 137 094)	-	-	-	-	-	-	-
Expenditure items capitalised in error	-	-	-	-	(16 198 862)	-	-	-	-	-	-	(16 198 862)
Depreciation on unbundled assets	-	(429 119)	-	(723 554)	-	-	-	-	-	-	-	(1 152 672)
Acquisitions	-	80 217	256 770	-	31 804 528	8 900	2 189 886	1 065 626	1 317 401	-	-	36 723 528
Assets under construction brought into use	-	-	1 180 713	18 620 775	(19 801 487)	-	-	-	-	-	-	-
Depreciation	-	(834 891)	(928 515)	(4 466 504)	-	(457 121)	(539 084)	(446 587)	(548 770)	(548)	-	(8 222 020)
Impairment	-	(5 603)	(23 163)	(45 497)	-	(14 478)	(1 799)	(4 789)	(13 999)	-	(11 146)	(120 473)
Prior Period Errors (Refer to Note 39)												
Unbundling of completed projects	-	956 731	-	2 555 794.01	(3 678 845)	166 320	-	-	-	-	-	-
Prepaid Meters not reversed from assets in error	-	-	(1 587 069)	-	-	-	-	-	-	-	-	(1 587 069)
Newly identified assets previously expensed in error	-	-	-	-	-	-	-	19 454	-	-	-	19 454
Depreciation adjustments	-	(2 937)	713 494	(72 702)	-	(7 407)	-	(446)	-	-	-	630 000
Carrying value of disposals	-	-	46 979	162 494	409	94 105	50 732	83 344	-	-	-	438 063
Cost/Revaluation	-	-	64 032	422 265	-	11 014	1 796 927	1 180 498	1 000 390	509	-	4 475 637
Accumulated depreciation	-	-	(17 053)	(231 433)	-	(5 207)	(1 389 516)	(1 108 534)	(753 779)	(509)	-	(3 501 032)
Accumulated impairment	-	-	-	(28 338)	-	(5 398)	(313 306)	(26 232)	(163 268)	-	-	(536 542)
as at 30 June 2016	61 044 317	18 643 752	19 678 786	110 133 661	25 687 971	3 910 058	4 779 553	2 117 533	4 539 049	1 682	1 010 539	251 546 901
Cost/Revaluation	61 044 317	34 585 265	36 443 068	155 459 369	25 687 971	7 537 996	10 312 112	7 830 309	9 962 461	9 978	1 247 483	350 120 329
Accumulated depreciation	-	(14 945 704)	(16 565 881)	(42 007 963)	-	(3 467 329)	(5 368 692)	(5 671 860)	(5 394 350)	(8 296)	-	(93 430 075)
Accumulated impairment	-	(995 808)	(198 402)	(3 317 745)	-	(160 608)	(163 867)	(40 916)	(29 063)	-	(236 945)	(5 143 354)

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Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	Note	2017	RESTATED 2016
		R	R
9 INTANGIBLE ASSETS			
9 Reconciliation of carrying value			
as at 1 July 2016		R	R
Cost		31 477	32 081
Accumulated amortisation and impairment losses		926 797	915 876
		(895 320)	(883 795)
Acquisitions		-	10 921
Amortisation		(9 299)	(11 525)
as at 30 June 2017		22 177	31 477
Cost		926 797	926 797
Accumulated amortisation and impairment losses		(904 620)	(895 320)

The carrying value of intangible assets disclosed relate to computer software

10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

	Investment property	Total
10 Reconciliation of fair value		
as at 1 July 2016	25 478 000	25 478 000
Acquisitions	-	-
Fair value adjustment	12 491 000	12 491 000
as at 30 June 2017	37 969 000	37 969 000
10 Reconciliation of fair value		
as at 1 July 2015	22 464 034	22 464 034
Acquisitions	-	-
Fair value adjustment	3 013 966	3 013 966
as at 30 June 2016	25 478 000	25 478 000
	25 478 000	25 478 000

The investment property values are based on the valuation roll. The fixed date of the revaluations was 1 July 2016. Valuations were performed by an independent valuer, Mr Philip Carl Jacobs, Professional Valuer, Registration number 5375, of Umhlaba Geomatics Incorporated of Dundee. The valuer is not connected to the municipality and have recent experience in the location and category of the investment property being valued. The valuation was based on open market value.

Rental income from these properties amount to	1 496 832	1 494 967
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No amounts were expensed towards repairs and maintenance costs for income generating investment properties

Details of investment properties are included in a register which is available for inspection at the municipal offices

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	12 847 631	10 553 920
Payments received in advance	1 835 429	1 205 702
Retentions	2 521 342	2 223 249
Umzinyathi District restated - (Refer to Note 39)	-	-
Staff leave accrual	6 393 667	2 935 405
Deposits - other	82 490	65 190
Other creditors restated - (Refer to Note 39)	2 538 530	2 266 501
Total	26 219 089	19 249 968
The fair value of trade and other payables approximates their carrying amounts.		
12 CONSUMER DEPOSITS		
Electricity	4 524 999	4 186 021
Guarantees held in lieu of Electricity and Water Deposits	153 310	159 310
13 VAT PAYABLE		
VAT payable	1 989 346	2 040 003
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
14 PROVISIONS		
14 CURRENT PROVISIONS		
Current portion of long-service provision	529 132	657 874
Current portion of retirement benefit obligations	2 023 691	1 818 182
Total	2 552 823	2 476 056
14 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	6 468 820	7 819 740
Provision for long-service awards	4 084 863	4 151 203
Total Non-Current Provisions	10 553 683	11 970 943
Provision for rehabilitation of landfill sites		
Opening Balance	7 819 740	5 847 069
Unwinding discount	(1 350 920)	1 972 671
Balance at the end of year	6 468 820	7 819 740
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5%, over an average period of 4.8 years.		
The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future		
The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. The estimate for the prior year includes 14% VAT. Council intends to commence spending against the provision in 4.8 years.		
Provision for long-service awards		
Opening Balance	4 809 077	4 538 000
Contribution to provision	312 953	552 572
Expenditure incurred	(508 035)	(281 495)
	4 613 995	4 809 077
Transfer to current provisions	(529 132)	(657 874)
Balance at the end of year	4 084 863	4 151 203

The long-service award is payable after every 10 years and thereafter after 5 year intervals of continuous service.

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Seta Grant	673 157	819 777
Municipal Infrastructure Grant	-	284 433
Transfer / Buyback Centre	7 731	7 288
Expanded Public Works Program	13 756	-
Sibongile Dundee Cyber Cadet Grant	647 754	381 822
Department of Sports Grant	-	318
Museum Grant	1 965	1 965
Sport Grant 2014	-	3 612
Rural Horse Riding Grant	241 392	3 217 355
Upgrade Sibongile Hostel	537 302	506 673
KZN Housing	206 365	206 365
Upgrade Sithembile Hostel	370 178	349 076
Training of councillors	27 602	27 602
Pound Grant	132 259	132 259
Integrated National Electrification Programme grant	-	7 497 015
Sibongile housing project	1 429 151	1 429 151
Small Town Rehabilitation	1 531 847	2 790 355
Total Unspent Conditional Grants and Receipts	5 820 457	17 655 065
See Note 24 for reconciliation of grants from other spheres of government. These amounts are invested in ring-fenced investment until utilised.		
16 BORROWINGS		
Annuity Loans	-	2 758 878
Non - current borrowings	-	2 758 878
Current portion transferred to current liabilities	2 875 809	2 561 088
Annuity Loans	2 875 809	2 561 088
Total borrowings	2 875 809	5 319 966
Refer to Appendix A for more detail on borrowings.		
Annuity loans		
Bear interest at rates between at 17% per annum, are being redeemed in Bi-annual installments, including interest, until 2018		
Security		
The annuity loans are not secured against any assets of the municipality		
17 HOUSING DEVELOPMENT FUND RESERVE		
Housing Operating Account	4 359 245	4 336 637
	4 359 245	4 336 637
The housing development fund is represented by the following assets & liabilities:		
Fixed assets	1 010 539	1 010 539
Debtors	2 895 526	2 898 820
Cash at bank	453 180	427 278
Total Housing Operating Account Assets and Liabilities	4 359 245	4 336 637
18 OTHER RESERVES		
Insurance Reserve	897 688	854 804
	897 688	854 804

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
19 PROPERTY RATES		
<u>Actual</u>		
Agriculture properties used for agricultural purposes	777 151	708 146
Agricultural properties used for other business and commercial purposes	241 228	223 315
Agricultural - Land Reform	15 783	15 072
Agricultural - Land Reform 2nd year	3 094	2 850
Agricultural - Land Reform 3rd year	6 525	5 736
Smallholding used for agricultural/residential purposes	357 688	327 629
Smallholding - Land Reform 2nd year	-	-55
Business and Commercial properties(with residential usage)	2 619 825	2 406 367
Business and Commercial properties	11 208 757	10 247 317
Industrial properties	4 658 063	4 049 201
Industrial properties (with residential usage)	107 971	113 595
Land Reform	-	-144
Mining properties	312 090	288 915
Public Benefits Organisation	221 082	60 228
Public service infrastructure	38 711	71 263
Residentially Based Business	487 387	449 312
Residential Properties	28 032 928	25 769 309
Schools	4 418 380	4 386 255
State owned properties	5 313 216	5 080 365
Sport, recreation & social	33 467	32 158
Vacant Land (other than residential)	-	1 148 878
Vacant Land zoned residential	-	2 207 948
Leases	1 670	1 546
Reassessment of prior year charges	-	86 178
Vacant Property	3 491 359	-
Total	62 346 376	57 681 385
<u>Valuations</u>		
Agriculture properties used for agricultural purposes	548 276 000	550 818 000
Agricultural properties used for other business and commercial purposes	17 743 000	17 743 000
Land Reform Agricultural Properties (25% Rebate)	5 870 000	5 870 000
Land Reform Agricultural Properties (50% Rebate)	4 176 000	4 176 000
Land Reform Agricultural Properties (75% Rebate)	43 928 000	43 928 000
Smallholding used for agricultural/residential purposes	56 543 000	55 837 000
Business and Commercial properties(with residential usage)	75 103 000	75 153 000
Business and Commercial properties	321 544 000	316 950 000
Cemetery (Private)	442 000	442 000
Industrial properties	123 612 000	123 490 000
Informal settlements	350 000	350 000
Industrial properties (with residential usage)	3 015 000	3 430 000
Land reform properties	62 450 000	59 918 000
Mining properties	7 725 000	7 725 000
Municipal properties	165 117 000	165 287 000
Public Benefits Organisation	45 143 000	43 818 000
Public service infrastructure	38 314 000	38 314 000
Public Benefits Organisation property	61 346 000	17 988 000
Privately owned town serviced by the owner	4 211 000	4 201 000
Residential Based Business Properties	36 057 000	36 057 000
Residential Properties	2 332 296 001	2 300 930 000
Schools (Private and State)	103 206 000	103 206 000
State owned properties	119 538 000	119 538 000
Sports Social and Recreation Clubs	5 074 000	5 074 000
Public worship	51 225 000	51 225 000
Worship Residential	12 458 000	12 458 000
Vacant Property	38 357 000	39 202 000
Total Property Valuations	4 283 119 001	4 203 128 000
The last general valuation came into effect on:	01/07/2012	01/07/2012
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2012.		
Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.		
Assessment rates: Cents in the rand on market valuation as follows:		
Agriculture properties used for agriculture purposes	0.38c/R	0.35c/R
Agricultural properties used for other business and commercial	4.04c/R	3.74c/R
Agriculture properties used for agriculture purposes- Land Reform	0.39c/R	0.36c/R

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
Smallholding used for agricultural or residential purposes- Land Reform	1.34c/R	1.24c/R
Smallholding used for agricultural or residential purposes	1.34c/R	1.24c/R
Smallholding used for business, commercial and industrial properties	4.04c/R	3.74c/R
Business and commercial properties(with residential usage)	4.04c/R	3.74c/R
Business and commercial properties	4.04c/R	3.74c/R
Industrial properties	4.05c/R	3.75c/R
Informal settlements	-	-
Industrial properties (with residential usage)	4.05c/R	3.75c/R
Mining properties	4.04c/R	3.74c/R
Municipal properties	-	-
Public benefit organisation	-	-
Public benefit organisation properties	0.38c/R	0.35c/R
Public service infrastructure	0.38c/R	0.35c/R
Public Worship	-	-
Residential properties	1.53c/R	1.41c/R
Residential based business	1.69c/R	1.56c/R
Sport , Recreation and sports clubs	0.70c/R	0.64c/R
Schools (Private and state)	4.59c/R	4.25c/R
State owned properties	4.59c/R	4.25c/R
State trust land	-	-
Vacant properties	9.28c/R	8.59c/R
Worship residential	-	-

The first R50 000 of the valuation of residential properties are exempt from the calculation of rates.

The first R15 000 of the valuation of vacant land zoned residential are exempt from the calculation of rates.

The first R15 000 of the valuation of industrial properties with residential usage are exempt from the calculation of rates.

The first R15 000 of the valuation of Business and Commercial properties with residential usage are exempt from the calculation of rates.

Rebates:

Agricultural property	62%	62%
Smallholdings	52%	52%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	0%	0%
Residential properties	22%	22%
Public service infrastructure	56%	56%
Pensioners (Earning R4500 per month)	25%	25%
Pensioners (Earning R4501 - R5000 per month)	20%	20%
Pensioners (Earning R5001 - R5500 per month)	15%	15%

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2016 financial year):

On a monthly basis, and the final dates of payment being the last working day of the month from August 2016 to June 2017.

Interest is levied on outstanding rates per annum at:	12%	12%
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20 SERVICE CHARGES

Sale of electricity	107 922 606	103 511 064
Refuse removal	19 621 520	17 019 800
Total Service Charges	127 544 126	120 530 864

21 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities and equipment	1 601 113	1 578 749
Total Rentals	1 601 113	1 578 749

22 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	4 472 619	3 984 499
Total Interest	4 472 619	3 984 499

23 INTEREST EARNED - OUTSTANDING RECEIVABLES

Interest on land sales	214	2 505
Total interest	214	2 505

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
24 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	36 413 000	41 242 000
Municipal infrastructure grant	13 501 433	14 556 567
Financial management grant	1 625 000	1 600 000
Library subsidy	3 146 000	2 787 000
SETA grant	296 190	735 166
Municipal systems improvement grant	-	930 000
Sibongile Dundee Cyber Cadet grant	296 787	234 656
Sport Project	318	-
Sport Grant	3 612	-
Museum subsidy	400 000	380 000
Museum Grant	-	82 757
Department of local government and traditional affairs - Sibongile	-	42 011
Integrated National Electrification Programme grant 2015	-	4 815 437
Integrated National Electrification Programme grant 2017	10 000 015	2 502 985
Expanded Public Works Programme	1 113 244	1 125 000
Capacity building - DBSA	-	34 038
DBSA grant	-	44 000
Small Town Rehabilitation Grant	3 389 393	5 414 140
Rural Horse Riding Grant	3 040 799	6 818 764
Total Government Grant and Subsidies	73 225 791	83 344 522
24 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	36 413 000	41 242 000
Conditions met – transferred to revenue	(36 413 000)	(41 242 000)
Conditions still to be met-transferred to liabilities (see note 15)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
24 Municipal Infrastructure Grant		
Balance unspent at beginning of year	284 433	-
Current year receipts	13 217 000	14 841 000
Conditions met - transferred to revenue	(13 501 433)	(14 556 567)
Conditions still to be met-transferred to liabilities (see note 15)	-	284 433
This grant is used to improve/establishment of infrastructure. No funds were withheld		
24 Financial Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 600 000)
Conditions still to be met-transferred to liabilities (see note 15)	-	-
This grant is directed towards improving compliance, implementation and management of the MFMA and Supporting reforms. No funds were withheld.		
24 Library subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	3 146 000	2 787 000
Conditions met - transferred to revenue	(3 146 000)	(2 787 000)
Conditions still to be met-transferred to liabilities (see note 15)	-	-
This grant is in respect of the municipal library services.		
24 SETA grant		
Balance unspent at beginning of year	819 777	1 432 558
Current year receipts	149 570	122 385
Conditions met - transferred to revenue	(296 190)	(735 166)

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
Conditions still to be met-transferred to liabilities (see note 15)	<u>673 157</u>	<u>819 777</u>
This grant is in respect of skills training for municipal staff. No Funds were withheld		
24 Museum Grant		
Balance unspent at beginning of year	1 965	84 722
Current year receipts	-	-
Conditions met - transferred to revenue	-	(82 757)
Conditions still to be met-transferred to liabilities (see note 15)	<u>1 965</u>	<u>1 965</u>
The grant was for the upgrade of infrastructure at the museum. No funds were withheld.		
24 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>-</u>
This grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act.		
24 Development Bank of South Africa		
Balance unspent at beginning of year	-	44 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(44 000)
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>-</u>
This grant was used for the implementation of financial software. No funds were withheld.		
24 Sibongile Dundee Cyber Cadet grant		
Balance unspent at beginning of year	381 822	251 756
Current year receipts	562 718	364 722
Conditions met - transferred to revenue	(296 787)	(234 656)
Conditions still to be met-transferred to liabilities (see note 15)	<u>647 754</u>	<u>381 822</u>
This grant is for the Cyber Cadets. No funds were withheld.		
24 Department of Sports grant		
Balance unspent at beginning of year	318	318
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	(318)	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>318</u>
This grant is intended for the building of a sports facility. No funds were withheld.		
24 Capacity Building - DBSA		
Balance unspent at beginning of year	-	34 038
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	(34 038)
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>-</u>
This grant was received from the DBSA for capacity building. No funds were withheld.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
24 Musuem subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	400 000	380 000
Expenditure claimed in accordance with grant conditions	(400 000)	(380 000)
Conditions still to be met-transferred to liabilities (see note 15)	-	-
This grant is to fund museum services. No funds were withheld.		
24 Department of local government and traditional affairs - Sibongile		
Balance unspent at beginning of year	-	42 011
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions		(42 011)
Conditions still to be met-transferred to liabilities (see note 15)	-	-
This grant is for the Sithembile sewer upgrade. No funds were withheld.		
24 KZN Housing - Sibongile hostel		
Balance unspent at beginning of year	506 673	480 838
Current year receipts	30 629	25 834
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	537 302	506 673
This grant is for the upgrade of the Sibongile hostel. No funds were withheld.		
24 KZN Housing - Ext 18 housing project		
Balance unspent at beginning of year	206 365	206 365
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	206 365	206 365
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
24 KZN Housing - Upgrade of Sithembile Hostel		
Balance unspent at beginning of year	349 076	331 198
Current year receipts	21 102	17 878
Expenditure claimed in accordance with grant conditions		
Conditions still to be met-transferred to liabilities (see note 15)	370 178	349 076
This grant is for the upgrade of Sithembile hostel. No funds were withheld.		
24 Dept of Human Settements - Sibongile Housing Development		
Balance unspent at beginning of year	1 429 151	1 429 151
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	1 429 151	1 429 151
This grant is for the Sibongile Bufferstrip housing. No funds were withheld.		
Department of Cooperative Governance and Traditional Affairs - Training of Councillor Grant		
Balance unspent at beginning of year	27 602	27 602
Adjustments and transfers	-	-
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	27 602	27 602

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
This grant is for the training of Councillors. No funds were withheld.		
Department of Cooperative Governance and Traditional Affairs - Pound		
24 Grant		
Balance unspent at beginning of year	132 259	132 259
Current year receipts		
Expenditure claimed in accordance with grant conditions		
Conditions still to be met-transferred to liabilities (see note 15)	<u>132 259</u>	<u>132 259</u>
This grant is for the establishment of a municipal pound. No funds were withheld.		
Department of National Energy - Integrated National Electrification		
24 Programme 2015		
Balance unspent at beginning of year	-	4 815 437
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	(4 815 437)
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>-</u>
This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. No funds were withheld.		
Department of National Energy - Integrated National Electrification		
24 Programme 2016 and 2017		
Balance unspent at beginning of year	7 497 015	-
Current year receipts	10 000 000	10 000 000
Expenditure claimed in accordance with grant conditions	(10 000 015)	(2 502 985)
Funds transferred back to Revenue Fund	(7 497 000)	
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>7 497 015</u>
This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas. No Funds were withheld.		
24 Department of Environmental Affairs - Transfer station		
Balance unspent at beginning of year	7 288	6 912
Current year receipts	443	376
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>7 731</u>	<u>7 288</u>
The grant is for improvement of public participation. No funds were withheld.		
24 Dept of Public Works - Expanded Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1 127 000	1 125 000
Conditions met - transferred to revenue	(1 113 244)	(1 125 000)
Conditions still to be met-transferred to liabilities (see note 15)	<u>13 756</u>	<u>-</u>
This grant is for Local Economic Development. No funds were withheld.		
24 Department of Sports Grant		
Balance unspent at beginning of year	3 612	3 612
Current year receipts	-	-
Conditions met - transferred to revenue	(3 612)	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>3 612</u>
This grant is intended for the maintenance of a sports facility. No funds were withheld.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATE 2016
	R	R
24 Small town rehabilitation grant		
Balance unspent at beginning of year	2 790 355	5 085 283
Current year receipts	2 130 885	3 119 212
Conditions met - transferred to revenue	(3 389 393)	(5 414 140)
Conditions still to be met-transferred to liabilities (see note 15)	<u>1 531 847</u>	<u>2 790 355</u>

This grant is intended for the commercialisation of mixed agricultural projects and rehabilitation of parks. No funds were withheld.

24 Rural Horse Riding Grant

Balance unspent at beginning of year	3 217 355	-
Current year receipts	64 836	10 036 119
Conditions met - transferred to revenue	(3 040 799)	(6 818 764)
Conditions still to be met-transferred to liabilities (see note 15)	<u>241 392</u>	<u>3 217 355</u>

This grant was for the upgrade of infrastructure at the racetrack. No funds were withheld.

25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

25 Other Income

Burial fees	90 555	98 479
Discount received	63 486	45 024
Land Sales	-	8 304
Other Income	828 663	1 254 736
Donations/ Awards	1 091 363	185 615
Total Other Income	<u>2 074 067</u>	<u>1 592 158</u>

26 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	55 908 215	49 324 416
Annuation Insurance	-	8 109
Performance and other bonuses	4 041 560	3 673 489
Casual labour	590 716	1 280 119
Contribution to leave reserve	3 458 262	632 183
Group Life	305 739	308 888
Leave	1 771 269	1 602 747
Medical Aid	4 444 488	3 840 271
Housing allowances	1 077 153	1 050 873
Protective clothing and uniforms	301 363	194 731
Overtime payments	2 020 731	1 905 084
Pension	10 658 881	9 223 904
SALGA Shop fee	35 534	27 492
SARPA Membership	7 429	11 644
SAMRO	4 872	4 651
Standby Allowance	385 951	366 526
Sundry Allowance	1 497 593	1 495 565
Transport allowance	4 941 020	4 298 126
UIF	526 552	443 753
Total	<u>91 977 330</u>	<u>79 692 570</u>

Remuneration of the Municipal Manager

Annual Remuneration	1 258 700	1 003 500
Car Allowance	175 490	60 412
Performance- and other bonuses	-	-
Cellphone allowance	30 000	24 000
Contributions to UIF, Medical and Pension Funds	181 750	170 594
Acting Allowance - MM	366 137	498 580
Total	<u>2 012 077</u>	<u>1 757 086</u>

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
<p>The position of Municipal Manager was filled on 1st September 2012 and the incumbent was subsequently suspended on 18 April 2013. The municipal manager has been on suspension until March 2017 when council uplifted the suspension. The above remuneration includes an acting allowance for the managers acting in the position of MM during the period of his suspension.</p>		
Remuneration of the Chief Finance Officer		
Annual Remuneration	874 391	803 088
Leave conversion	37 932	-
Acting Allowance	186 619	-
Performance- and other bonuses	-	-
Housing allowance	94 103	84 996
Cell phone allowance	11 400	11 400
Car allowance	170 898	175 603
Contributions to UIF, Medical and Pension Funds	45 992	47 473
Total	1 421 335	1 122 559

The Chief Financial Officer was placed on suspension in January 2017. The above remuneration includes an acting allowance for the managers acting in the position.

Remuneration of the Executive Manager Technical Services		
Annual Remuneration	884 968	-
Leave conversion	-	-
Acting Allowance	-	21 049
Performance- and other bonuses	-	-
Cell phone allowance	11 400	-
Car allowance	87 664	-
Contributions to UIF, Medical and Pension Funds	2 716	-
Total	986 747	21 049

The Executive Manager Technical Services position became vacant in June 2013. The position was filled in July 2016.

Remuneration of the Executive Manager Corporate Services		
Annual Remuneration	-	601 928
Leave conversion	-	99 403
Acting Allowance	10 080	7 654
Performance- and other bonuses	-	-
Cell phone allowance	-	9 500
Car allowance	-	126 456
Contributions to UIF, Medical and Pension Funds	-	115 231
Total	10 080	960 172

The position of the Executive Manager Corporate Services became vacant in May 2016 due to the passing away of the executive manager. The above remuneration includes an acting allowance for the managers acting in this position in the current and prior financial years.

Remuneration of the Executive Manager Planning and Development		
Annual Remuneration	715 000	-
Leave conversion	-	-
Acting Allowance	-	-
Performance- and other bonuses	-	-
Cell phone allowance	10 450	-
Car allowance	60 081	-
Contributions to UIF, Medical and Pension Funds	130 420	-
Total	915 952	-

The position of the Executive Manager Planning and Development is a new position and was filled in August 2016

27 REMUNERATION OF COUNCILLORS

Executive Mayor	438 921	443 840
Deputy Executive Mayor	38 485	358 891
Speaker	354 213	359 505
Executive Committee Member	325 362	338 125
Councillors	2 065 535	1 586 382
Councillors' travel allowances	623 358	473 146
Total Councillors' Remuneration	3 845 874	3 559 888

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
In-kind Benefits		
The Executive Mayor and Speaker are part-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has one full-time bodyguard and driver and 24hour security. The Speaker has a driver and bodyguard . Certain councillors also had 24 hour security and Body Guards.		
28 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment - Restated (Refer to Note 39)	9 557 515	7 592 020
Intangible assets	9 299	11 525
Total Depreciation and Amortisation	9 566 814	7 603 545
29 FINANCE COSTS		
Borrowings	509 766	790 392
Total Finance Costs	509 766	790 392
30 BULK PURCHASES		
Electricity	81 492 020	75 592 334
Total Bulk Purchases	81 492 020	75 592 334
31 CONTRACTED SERVICES		
Contracted services	5 306 764	4 899 285
Contracted services - Repairs and Maintenance (Refer to Note 49)	9 292 510	9 161 898
	14 599 274	14 061 183
32 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	692 158	288 860
Amendments To Acts & Ord.	48 601	124 950
Audit Committee	205 480	236 802
Audit Fees & Internal Audit Fees	2 745 707	2 931 819
Bank Charges	957 317	819 710
H I V Aids	151 340	84 308
Indigent Support	4 016 484	3 398 314
Insurance	219 940	234 870
Lease Payments	174 121	145 060
Led Projects	165 338	186 145
Legal Expenses	1 811 866	1 197 542
Materials	565 108	564 831
Membership Fees Kwanaloga	1 005 638	901 587
Meter Reading Fees	68 790	149 280
National Cleanest Town Compet	79 957	69 946
New Connections	318 323	438 788
Postages	338 116	324 132
Printing & Stationery	915 579	924 150
Prodiba - Payments	387 225	420 991
Marketing Of Endumeni	402 019	359 023
Rural Horse Riding Event	761 639	611 869
Security	8 464 272	6 671 167
Service Of Process	150 223	20 408
Sport, Youth, Arts And Culture	934 553	666 775
Staff Training and Levy	831 165	695 028
Subsistence & Travelling	1 463 731	1 302 787
Telephone	967 860	891 270
Traffic Control	157 061	145 516
Transport Cost	4 991 207	4 497 584
Valuation Fees	574 323	313 047
Valuation Reduction	7 567 416	6 799 398
Other General Expenses	6 575 765	4 687 400
Technical Support	810 799	1 328 312
Recharges	-	(415 051)
Grant expenditure condition met - Restated (Refer to Note 39)	6 733 817	5 332 213
	56 252 937	47 348 832

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
33 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	-	452 973
Intangible assets	-	-
Total Gain / (Loss) on Sale of Assets	-	452 973

34 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)

Property, plant and equipment	1 226 315	120 473
Consumable Stores Impairment Loss	93 407	78 218
Total Impairment loss / (Reversal of Impairment Loss)	1 319 722	198 691

During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification that is deemed to be in a very poor physical condition was tested for possible impairment. As a result, 416 assets were tested for impairment, and additional impairment losses amounting to R 1 226 315 were recognised in respect of 62 of these assets

During the inventory count, inventory was verified for possible impairment. Redundant electrical inventory and consumables to the value of R 108 834 was impaired.

35 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Investment property carried at fair value	12 491 000	3 013 966
Other newly identified assets	-	-
Total Profit / (Loss) on Fair Value Adjustment	12 491 000	3 013 966

36 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	26 738 304	32 075 800
Adjustment for:-		
Depreciation	9 557 515	7 592 020
Amortisation	9 299	11 525
(Gain) / loss on sale of assets	-	(452 973)
Contribution to retirement benefit obligation and Long Service	655 348	7 301 449
Contribution paid retirement benefit obligation and Long Service	(2 468 311)	-
Contribution to landfill site provision	(1 350 920)	1 972 671
Contribution to bad debt provision	6 994 794	9 521 015
Contribution to leave provision	3 458 262	632 183
Straightlining of leases	52 020	(37 814)
Finance costs paid	392 834	790 392
Finance Costs accrued	116 931	-
Fair value adjustments	(12 491 000)	(3 013 966)
Impairment loss / (reversal of impairment loss)	1 226 315	120 473
Impairment loss / (reversal of impairment loss) on inventory	93 407	78 218
Fines accrual	(1 649 205)	(1 728 970)
Donations	(841 363)	(185 615)
Reserve income	65 492	81 800
Interest earned	(4 472 834)	(3 987 004)
Operating surplus before working capital changes:	26 086 888	50 771 204
(Increase)/decrease in inventories	(1 336 017)	(196 345)
(Increase)/decrease in trade receivables	(2 629 201)	(5 773 916)
(Increase)/decrease in other receivables	734 095	(1 684 886)
Increase/(decrease) in VAT payable	(50 657)	(110 548)
Increase/(decrease) in conditional grants and receipts	(11 834 608)	3 247 005
Increase/(decrease) in trade payables	3 458 840	(1 486 821)
Cash generated by/(utilised in) operations	14 429 340	44 765 694

37 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	3 772 947	1 303 476
Call investment deposits	49 600 646	67 041 335
Net cash and cash equivalents (net of bank overdrafts)	53 373 593	68 344 812

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
38 CHANGE IN ACCOUNTING POLICY		
No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a change in accounting policy.		
39 PRIOR PERIOD ERROR		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a correction of prior year errors.		
The comparative amount has been restated as follows:		
TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
<u>Other Sundry Creditors - Housing</u>		
During the current year a review was performed of Sundry accounts with no movement for the previous financial years. Sundry creditor accounts for Ring fenced housing was identified with credit balances. These account have no movement and should have been reversed during the changeover from IMFO to GRAP basis of accounting. These amounts do not meet the definition of a payables in accordance with GRAP and have been reversed to accumulated surplus. The effect of this correction in the prior year is reflected below:		
<u>Umzinyathi Creditor for Water and Sanitation</u>		
During the current year a review was performed of Sundry accounts with no movement from previous financial years. Sundry creditor accounts for Water and Sanitation was identified with long outstanding credit balances. These account have no movement and should have been reversed during the transfer of the Water and Sanitation function from Endumeni to the District. Balance confirmation have been performed with the District and these amounts do not meet the definition of a payables in accordance with GRAP and have been reversed to accumulated surplus. The effect of this correction in the prior year is reflected below:		
Balance previously reported 1 July 2016		22 501 024
Correction of error: Ring Fenced Housing		(742 949)
Correction of error: Umzinyathi Creditor		(3 798 444)
Debit Balances in Sundry Creditor accounts UDM Loan		1 290 337
Net effect on Statement of Financial Position		<u>19 249 968</u>
TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
<u>Other Debtors</u>		
Balance previously reported 1 July 2016		13 218 355
Debit Balances in Sundry Creditor accounts UDM Loan		1 290 337
Net effect on Statement of Financial Position		<u>14 508 693</u>
PROPERTY PLANT AND EQUIPMENT		
<u>Repairs and Maintenance erroneously capitalised</u>		
During the year a review was conducted of all projects included in assets under construction. It was noted that included in asset under construction were amounts that did not meet the definition of an asset and should have been expensed. These amounts were capitalised prior to 1 July 2015. Assets such as road repairs and maintenance, electrical and building maintenance and RDP houses have now been expensed. The effect of the correction in the prior year is reflected below:		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

2017	RESTATED 2016
R	R

Depreciation on completed projects not unbundled in prior years

During the year a review was conducted of all projects that were included in assets under construction for an extended period of time. It was noted that projects as far as 2011 were completed and in use however these projects were not unbundled and capitalised. Adjustments were made in the current year to release these assets from assets under construction and capitalise the unbundled amounts. Consequently Accumulated depreciation and depreciation in the prior year was affected by this exercise. The effect of the correction of this prior period error is reflected below:

Prepaid meters consumables erroneously included as assets

Upon review of the fixed asset register, it was noted that some prepaid meters were still included on the asset register. Municipal policy was to expense these to expenses as the prepaid meters do not meet the definition of an assets as the municipality does not have control of these items. Management embarked on a process in the 2015/16 financial year to remove these assets from the register. Some prepaid meter were however missed during this process and consequently a prior period adjustment has been made to remove these prepaid meters from the asset register. The effect of the correction of this prior period error is reflected below:

Newly identified assets erroneously expensed

During the physical asset verification process, a few assets were identified but could not be traced to the asset register. These assets were traced to invoices and it was noted that these assets were erroneously expensed in the prior year. An adjustment was made in the prior year to correct this error. The effect of the correction of this prior period error is reflected below:

Balance previously reported 30 June 2016	269 836 049
Repairs and Maintenance erroneously capitalised prior 1 July 2015	(16 198 862)
Depreciation on completed projects not unbundled in prior 1 July 2015	<u>(1 152 672)</u>
	252 484 515
Prepaid meters consumables erroneously included as assets	(1 587 069)
Newly identified assets erroneously expensed - General Expenses	19 454
Depreciation on completed projects not unbundled in prior years - Depreciation	<u>630 000</u>
Net effect on Statement of Financial Position	<u>251 546 901</u>

Accumulated Surplus/(Deficit)

Errors noted in Sundry creditors

In the current year a balance confirmation were sent out for long outstanding creditor balances which reflected no movement for past financial years. As a result the Housing Creditor was identified as a prior period error as it had not been correctly accounted for during the change from IMFO to GRAP Accounting. Credit balances for water and sanitation has also been identified as being incorrectly accounted for during the transfer of the water and sanitation function. The effect of these corrections is reflected below:

Errors noted in Property Plant and equipment

During the year a review was conducted on property, plant and equipment. It was noted that various items were included that should have been expensed. Certain assets should have been unbundled. Consequently adjustments were processed to correct the errors and the resultant adjustment to depreciation was made. Refer to prior period error note on Property, plant and Equipment. The effect of the correction of this error is reflected below:

Balance previously reported 1 July 2016	263 030 710
Correction of error: Ring Fenced Housing	742 949
Correction of error: Umzinyathi Creditor	3 798 444
Repairs and Maintenance erroneously capitalised prior 1 July 2015	(16 198 862)
Depreciation on completed projects not unbundled in prior 1 July 2015	<u>(1 152 672)</u>
Prepaid meters consumables erroneously included as assets	<u>(1 587 069)</u>
	248 633 500
GENERAL EXPENSE - Newly identified assets erroneously expensed	19 454
DEPRECIATION - Depreciation on completed projects not unbundled in prior years	<u>630 000</u>
	<u>249 282 955</u>

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
40 CHANGE IN ESTIMATE		
There has been no significant changes in accounting estimates in the current reporting period.		
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
41 DISALLOWED		
Unauthorised expenditure		
Unauthorised expenditure was incurred for the year ended 30 June 2017		
Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	4 150	-
Fruitless and wasteful expenditure current year	1 464	4 150
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 55)	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>5 614</u>	<u>4 150</u>
- Late Payment Penalty	40	
- Interest on Invoice Paid Late	<u>1 424</u>	
	<u>1 464</u>	-
Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	428 451	205 837
Irregular expenditure current year	621 378	222 614
Condoned by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>1 049 829</u>	<u>428 451</u>
Supply chain management policy deviations (Refer to note 42.8)		
- Accommodation	4 027	
- Strategic Planning Session	15 048	
- Hire Video Camera & TV Screen for Council Inauguration	2 950	
- Lunch Manco meeting held 21 September 2016	2 000	
- Entertainment during exam prayer	3 000	
- Hire of 10 round tables for exam prayer	2 000	
- Draping of Moth Hall stage & 5 VVIP tables for 6th annual Pastors Convention	7 500	
- Publication of Notice no. 144/2016 in the 18th November 2016 of Northern Natal Courier	2 605	
- Accommodation for delegates and officials attending KZN SALGA Games at Ugu Municipality	238 320	
- Internal Auditors Fee for investigating Unauthorised, Irregular, Fruitless and Wasteful Expenditure for 2014/15 and 2015/16	171 608	
- Internal Auditors Fee for investigating Section 32 Irregular Expenditure Items	157 820	
- Youth Dialogue	2 000	
- Hampers for woman's forum		7 892
- Programme directing and Entertainment- Woman's Launch		2 500
- Hire of Sound		2 800
- Hire of tent, tables and chairs for soil turning for garden project		3 170
- Catering for soil turning for garden project		2 520
- Loud hailing for public meeting (Ext 19-Buffer strip housing project)		1 400
- Hiring of tent, tables and chairs for public meeting		3 190
- Full page Corporate Profile online		49 950
- Catering for Battlefields Carnival		15 700
- Face painting and clowns- Battlefields Carnival		4 000
- Hire of Drum Majorettes- Battlefields Carnival		3 000
- Hire of sound system- Spring festival		4 000
- Hire of frame and tent- Spring Festival		5 500
- Hire of a 4 pole tent, chairs and tables		15 860
- Entertainment at Sibongile		5 000
- Endumeni School voter registration campaign		20 000
- Donation of a cow to St John's Apostolic Faith Mission		9 800
- Provide refreshment for Council Meeting		1 200
- Repair to Office computer		1 105
- Provide Programme Director and entertainment service at Mayoral Imbizo	12 500	52 600

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
- Provide lunch for LED meeting		2 757
- Provide entertainment at Youth day celebration		8 000
- Donation of fruit at Youth Day celebration		670
	621 378	222 614
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE		
42 MANAGEMENT ACT		
42.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	1 005 638	921 087
Amount paid - current	-15 260	-60 490
Amount paid - previous years	-990 378	-860 597
Balance unpaid (Included in payables)	-	-
42.2 Audit fees		
Opening balance	-	-
Current year audit fee	1 774 707	2 066 443
Amount paid - current year	-1 774 707	-2 066 443
Amount paid - previous years	-	-
Balance unpaid (Included in payables)	-	-
42.3 VAT		
Vat received for the year	3 535 172	3 886 104
Vat paid for the year	851 691	706 257
All VAT returns have been submitted by the due date throughout the year.		
42.4 PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	11 852 935	10 259 185
Amount paid - current year	-11 852 935	-10 259 185
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
42.5 Distribution Losses		
Units lost (kilowatts)	17 673 715	18 121 214
Units lost (sales price per kilowatts - rands)	25 769 332	26 096 729
Units lost due to normal distribution losses (sales price per kilowatts - rands [2017 : R 1.524, 2016 : R 1.479])	10 682 169	10 317 480
Units lost due to theft (sales price per kilowatts - rands [2017 : R 1.415, 2016 : R 1.416])	15 087 163	15 779 248
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	12%	13%
42.6 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	21 918 068	19 364 821
Amount paid - current year	-21 918 068	-19 364 821
Amount paid - previous years	-	-
Balance unpaid (Included in payables)	-	-

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
42.7 Councillor's arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		Outstanding more than 90 days R
as at 30 June 2017		
Councillor: WN Mbatha Makhathini		98 097
Councillor: Khanyile NE		36 087
Total Councillor Arrear Consumer Accounts		134 184
as at 30 June 2016		
No councillor in arrears		-
Total Councillor Arrear Consumer Accounts		-
42.8 Deviations of Supply Chain Management Policy		
Unveiling of Majuba Mhlungu Park - Dudukezani Funeral Home	1 200	
The MEC COGTA launched the CWP Programme at Endumeni and it was decided that the unveiling of the Majuba Mhlungu Park will also be done. The deviation was duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Repairs to Computer - Ethemba Computers & Consulting CC	3 235	
Urgent repairs had to be done to a computer that was infected by viruses and the data had to be restored. The deviation was duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Re-Imbursement for refreshments bought - CB Mkhize	4 819	
Refreshments for meetings and / or events hosted where the meeting lasted longer than expected or there was not enough time to follow the normal procurement processes. The deviations were duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Re-Imbursement for refreshments bought - HB Msane	1 500	
Refreshments were bought for people with albinism attending a case at Obonjeni, Manguzi Area. Normal processes could not be followed due to the event taking place outside of the Endumeni Area. The deviation was duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Washing and Cleaning of Councillor's Gowns - Indigo Dry Cleaners	1 060	
The awarding of the quote for the washing and cleaning of the Councillor's Gowns did not follow the usual procurement process as the service was anticipated to be less than R500.00 and would then be payable out of petty cash. The final account came to a total of more than what is allowed to be paid out of petty cash. The deviation was duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Re-Peg remaining sites at Dundee and Glencoe Cemetery - Umhlaba Geometrics	77 862	
The awarding of the quote for the re-pegging of the remaining sites at Dundee and Glencoe Cemetery did not follow the usual procurement process as the service provider is the only one that provides this service in the region. The deviation was duly authorised by the accounting officer and reported to council (B03/18/10/16-1)		
Service, repair, load test and certify Cherry Picker - Cranes and Hydraulics	70 325	
The awarding of the quote for the service, repair, load test and certification of the Cherry Picker as per the OHS Act did not follow the usual procurement process as the service provider is the sole provider. The deviation was duly authorised by the accounting officer and will be reported to council.		
Meals / food packs for 250 people attending Rural Dance - Chicken Licken Ulundi	35 100	
The awarding of the quote for the provision of meals / food packs for 250 people attending the Rural Dance in Nongoma did not follow the usual procurement process as there was no other service provider from Nongoma that could. The deviation was duly authorised by the accounting officer and reported to council (B03/18/10/16-1)		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
Professional Service Agreement - E-Cloud	5 445	
The awarding of the quote for the provision of the Professional Service Agreement Document for technical services did not follow the usual procurement process as this is the sole service provider. The deviation was duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Review Municipal Policies and Systems - Moivox Management Consulting (Pty) Ltd	198 600	
The awarding of the quote for the review of the municipal policies and systems did not follow the usual procurement process. The review formed part of the repositioning of the municipality in the new term. The deviation was duly authorised by the accounting officer and reported to council. (B03/18/10/16-1)		
Programme Director at the Matric Prayer Event - C Mbokazi	8 500	
The awarding of the quote for the programme director at the matric prayer event did not follow the usual procurement process as the municipality was unable to obtain quotes for this service. The deviation was duly authorised by the accounting officer and will be reported to council.		
Emerging Local Artists - Thembokuhle Thisuni (Mgqoneni no Ntathakusa)	3 000	
- Ubuhle Besicence Group	5 000	
- Ntombela MC (Mtolo One Group)	3 000	
The awarding of the quote for the performance at events did not follow the usual procurement process as these are emerging local artists providing unique traditional music and that are not registered on the database. The deviations were duly authorised by the accounting officer and will be reported to council.		
Repairs to Refuse Truck - Vryheid Gearbox Centre cc	43 890	
The awarding of the quote for the repairs to the refuse truck did not follow the usual procurement process as the company had to strip and quote NDE 14034. The deviation was duly authorised by the accounting officer and will be reported to council.		
Amendments to website - GW Soft Consulting cc	30 552	
The awarding of the quote for the amendments to the website did not follow the usual procurement process as the municipality does have a contract with the service provider but the work that needed to be done was additional scope. The deviation was duly authorised by the accounting officer and will be reported to council.		
Training and purchase of scanners - PriceWaterHouseCoopers Inc	89 718	
The awarding of the quote for the training on the BAUD asset system and the purchase of scanners for asset management did not follow the usual procurement process. PWC BAUD was the sole provider. The deviation was duly authorised by the accounting officer and will be reported to council.		
Publication of Advert in National Newspaper - Ilanga Mandla-Matla Publishing	44 889	
The awarding of the quote for the publication of adverts in a national newspaper did not follow the usual procurement process as the notices had to be placed in the Ilanga Newspaper and they are the sole provider. The deviation was duly authorised by the accounting officer and will be reported to council.		
Local artists performing at event - Iqophelo Sgidi Trading	7 000	
The awarding of the quote for the performance at an event did not follow the usual procurement process as these are emerging local artists providing unique traditional music and that are not registered on the database. The deviation were duly authorised by the accounting officer and will be reported to council.		
Television Broadcast Services - Bay Community Television t/a 1KZN TV	199 000	
The awarding of the quote for the broadcast of television services did not follow the usual procurement process as the targeted audience could only be reached through 1KZN TV. The deviation was duly authorised by the accounting officer and will be reported to council.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
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	2017	RESTATED 2016
	R	R
Local artist performing - Mabusi Maskandi Band - Msibi NS	3 000 5 000	
The awarding of the quote for the performance at an event did not follow the usual procurement process as these are emerging local artists are providing a certain genre that could not be sourced else where. The deviation was duly authorised by the accounting officer and will be reported to council.		
Transportation - Sibuyisithemba Trading	30 000	
The awarding of the quote for transport did not follow the usual procurement process as the initial service provider declined the award due to Taxi Association Administration. The deviation was duly authorised by the accounting officer and will be reported to council.		
Local artist performing - Afrocentric Entertainment - Amajukujuku Endumeni Ubuhle	10 000 9 000	
The awarding of the quote for the performance at an event did not follow the usual procurement process as these are emerging local artists are providing a certain genre that could not be sourced else where. The deviation was duly authorised by the accounting officer and will be reported to council.		
Ablution Facilities - Inkalane Trading & Projects	28 000	
The awarding of the quote for providing ablution facilities did not follow the usual procurement process as it was discovered a day before the event that there are no facilities available at the venue. The deviation was duly authorised by the accounting officer and will be reported to council.		
Tent - Ivezokuhle Trading and Projects	19 500	
The awarding of the quote for providing a tent at an event did not follow the usual procurement process as on the day of the event there was extreme cold weather conditions - unforeseen circumstances. The deviation was duly authorised by the accounting officer and will be reported to council.		
Loud Hailer System - I Y Jamal	1 650	
The awarding of the quote for providing the loud hailer system did not follow the usual procurement process as the municipal loud hailer was broken. The deviation was duly authorised by the accounting officer and will be reported to council.		
Local Performer - Mgqonyeni no Ntathakusa	3 000	
The awarding of the quote for the performance at an event did not follow the usual procurement process as these are emerging local artists are providing a certain genre that could not be sourced else where. The deviation was duly authorised by the accounting officer and will be reported to council.		
Frame Tent - Zwane Twin Bradaz	7 000	
The awarding of the quote for providing the frame tent for the event did not follow the usual procurement process as on the day of the event there was extreme cold weather conditions - unforeseen circumstances. The deviation was duly authorised by the accounting officer and will be reported to council.		
Transport - Inkosi Inamandla Trading (Pty) Ltd	2 800	
The awarding of the quote for providing transport did not follow the usual procurement process as the appointed service provider could not deliver the service. The deviation was duly authorised by the accounting officer and will be reported to council.		
Tent and Chairs - Lwandoluhle Trading (Pty) Ltd	3 400	
The awarding of the quote for providing a tent and chairs for an event did not follow the usual procurement process as on the day of the event there was extreme cold weather conditions - unforeseen circumstances. The deviation was duly authorised by the accounting officer and will be reported to council.		

Endumeni Municipality
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for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
Decoration of Hall - T & B Décor Cater Contruction	9 500	
The awarding of the quote for the decoration of the hall did not follow the usual procurement process as this was an emergency due to the state of the hall and was only noted on the day of the event. The deviation was duly authorised by the accounting officer and will be reported to council.		
Publicity - Umcabindlela Trading	20 000	
The awarding of the quote for publishing the business breakfast did not follow the usual procurement process as the need was identified to have it publicised in a different media platform. The deviation was duly authorised by the accounting officer and will be reported to council.		
Local Performer - Jenny & Band	7 000	
- Nompandolo	7 000	
- Isingeke Group	9 000	
The awarding of the quote for the performance at an event did not follow the usual procurement process as these are emerging local artists are providing a certain genre that could not be sourced else where. The deviation was duly authorised by the accounting officer and will be reported to council.		
Refreshments - Umhome Investments	11 250	
The awarding of the quote for the provision of lunch at an event did not follow the usual procurement process as the request was submitted one day before the event. The deviation was duly authorised by the accounting officer and will be reported to council.		
Transport - Mhlanti Trading Projects (Pty) Ltd	22 500	
The awarding of the quote for the provision of transport for the senior citizen practice games did not follow the usual procurement process as it was impractical to do so. The deviation was duly authorised by the accounting officer and will be reported to council.		
Tent and tables - Zwane Twin Bradaz	2 000	
The awarding of the quote for the tent and tables at an event did not follow the usual procurement process as it was requested by the Ward Councillor one day before the actual event. The deviation was duly authorised by the accounting officer and will be reported to council.		
Lunch - B O Contruction CC	15 400	
The awarding of the quote for the lunch at the Dundee July Launch did not follow the usual procurement process as it was impractical to do so. The deviation was duly authorised by the accounting officer and will be reported to council.		
PA System - Maphises Holdings (Pty) Ltd	2 650	
The awarding of the quote for the hire of a PA system did not follow the usual procurement process as it was impractical to do so. The deviation was duly authorised by the accounting officer and will be reported to council.		
National Radio Personnel - WSK Ngobe	27 000	
The awarding of the quote for the appearance of a national radio personell did not follow the usual procurement process as it was impractical to do so. The deviation was duly authorised by the accounting officer and will be reported to council.		
Sound System - Soqhaka and Sons	1 800	
The awarding of the quote for the hire of a sound system at an event did not follow the usual procurement process as the services was requested one day before the event. The deviation was duly authorised by the accounting officer and will be reported to council		
Taxis - Madonsela Crust Contruction CC	17 200	
The awarding of the quote for the hire of taxis did not follow the usual procurement process as the initial number procured was insufficient and additional had to be procured. The deviation was duly authorised by the accounting officer and will be reported to council		
Sound System - Soqhaka and Sons	2 300	
The awarding of the quote for the hire of a sound system at an event did not follow the usual procurement process as the initial sound procured was not enough for the event. The deviation was duly authorised by the accounting officer and will be reported to council.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
Tables & Chairs - T&B Décor, Cater, Construction	2 000	
The awarding of the quote for the hire of tables and chairs for the event did not follow the usual procurement process as the number of chairs and tables was insufficient for all attendees. The deviation was duly authorised by the accounting officer and will be reported to council.		
Sound System - Umphongolo Trading and Supply (Pty) Ltd	15 000	
The awarding of the quote for the hire of sound system for an event did not follow the usual procurement process as the requisition was done on the system but the order was not printed on time. The deviation was duly authorised by the accounting officer and will be reported to council		
Food Parcels - Ivezokuhle Trading and Projects (Pty) Ltd	28 000	
The awarding of the quote for providing food parcels did not follow the usual procurement process as the event was planned a day before. The deviation was duly authorised by the accounting officer and will be reported to council.		
Food Parcels - Mhlanti Trading (Pty) Ltd	28 978	
The awarding of the quote for providing food parcels did not follow the usual procurement process as the event was planned a day before. The deviation was duly authorised by the accounting officer and will be reported to council.		
Taxis - Mhlanti Trading (Pty) Ltd	37 500	
The awarding of the quote for the hire of taxis did not follow the usual procurement process as the need for taxis was discovered a day before the event. The deviation was duly authorised by the accounting officer and will be reported to council		
Media Broadcast - Wenzile Consulting	201 000	
The awarding of the quote for the media broadcast did not follow the usual procurement process. The deviation was duly authorised by the accounting officer and will be reported to council.		
Sound System - Iqophelo Sgidi	5 500	
The awarding of the quote for hire of sound system did not follow the usual procurement process as the attendance was overwhelming and the need for sound arose as a matter of urgency. The deviation was duly authorised by the accounting officer and will be reported to council		
Short term Insurance - Westwood Insurance Brokers		50 000
Short Term Insurance services had to be procured for one month as the tender for insurance services could not be awarded during the objection period. This was due to the delay in drawing up the tender document. The deviation was duly authorized by the accounting officer and reported to council. (C06/25/08/15)		
Gem prepaid meters - Landis&Gyr (Pty) Ltd		77 520
The awarding of the quote for the purchase of GEM prepaid meters did not follow the usual procurement process as this supplier is the sole owners and manufacturers of these meters. The deviation was duly authorized by the accounting officer and reported to council. (C06/25/08/15)		
Training of Ward Committees - Umqondo Consulting		312 360
The awarding of the quote for the remaining modules of the ward committee training did not follow the usual procurement process as it was impractical to appoint a new service provider when another service provider had already conducted five Modules of the Ward Committee Governance Training. The deviation was duly authorized by the accounting officer and reported to council. (C03/22/09/15-1)		
Power 3 phase meters - Landis&Gyr (Pty) Ltd		177 726
The awarding of the quote for the purchase of Cash power 3 phase did not follow the usual procurement process as it was a sole provider procurement. The deviation was duly authorized by the accounting officer and reported to council. (B01/24/11/15)		
Towing of Mayoral vehicle - Daves Panelbeaters		1 140
The awarding of the quote for towing the mayoral vehicle did not follow the usual procurement process as this an emergency. The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16)		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
Carnival speed fencing - Kwathela Business Enterprise		23 000
The awarding of the quote for speed fencing did not follow the usual procurement process as this was due to emergency procurement for the carnival. The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16)		
Repairs to Mayoral vehicle - Ladysmith Autohouse - Newcastle Volkswagon		20 674 37 378
The awarding of the quote for repairs to the mayoral vehicle did not follow the usual procurement process as this an emergency. The deviation was duly authorized by the accounting officer and reported to council.(B05/26/01/16) and (B07/31/03/16)		
Sewing Project - Cut Price Fabric Centre - Bargain Zone		16 633 9 999
The awarding of the quote for the sewing project did not follow the usual procurement process as the supplier was the sole provider of the materials.The deviation was duly authorized by the accounting officer and reported to council. (B05/26/01/16)		
Financial System Upgrade - Munsoft (Pty) Ltd		456 456
The awarding of the quote for the upgrade of the financial system did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council. (B02/26/04/16)		
Hire of Mayoral Vehicle - Avis Rent a Car		120 199
The awarding of the quote for car hire did not follow the usual procurement process as it was an emergency as the mayoral vehicle was still being repaired. The deviation was duly authorized by the accounting officer and reported to council. (B06/31/05/16)		
Forensic Services - Paradigm Forensic Services		222 945
The awarding of the quote for forensic services did not follow the usual procurement process as the service was urgently required and it was impractical to follow the normal scm processes. The deviation was duly authorized by the accounting officer and council. (B05/31/05/16)		
Repairs and Maintenance of UPS - Bocal Electronics KZN		8 351
The awarding of the quote for UPS did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council. (B02/28/06/16)		
Woman's Forum - Khanyenda TM		33 500
The awarding of the quote for goods and services for the womens forum did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council.(B02/28/06/16)		
Provision of Spiritual Service - Ingu Trading		2 000
The awarding of the quote for the provision of spiritual service did not follow the usual procurement process due to it being an emergency . The deviation was duly authorized by the accounting officer and reported to council. (B02/28/06/16)		
Repairs and Maintanance to Server - Virtulise (Pty) Ltd		42 133
The awarding of the quote for repairs did not follow the usual procurement process as this was an sole provider situation. The deviation was duly authorized by the accounting officer and reported to council. (B02/28/06/16)		
Servicing of Fire Extinguishers - Zero Tolerance		27 212
The awarding of the quote for the servicing of the fire extinguishers did not follow the usual procurement process as this was a Strip and Quote. The deviation was duly authorized by the accounting officer and will be reported to council in August 2016.		
First Aid Training - GTS Training and Development		10 164
The awarding of the quote for first aid training did not follow the usual procurement process as the service was urgently required and it was impractical to follow the normal scm processes. The deviation was duly authorized by the accounting officer and will be reported to council in August 2016.		

1 428 622

1 649 389

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
42.9 Section 32 Appointments		9 976 491

Council appointed Philanabantu Trading and SMC construction JV as consultants for the Rural Horse Riding Project. The municipality was required to commit the funds urgently in order to secure the funding therefore a section 32 appointment was made.

43 CAPITAL COMMITMENTS

43 Commitments in respect of capital expenditure

- Approved and contracted for	52 249 902	13 804 553
Infrastructure	36 521 542	13 108 492
Other	15 728 360	696 061

- Approved but not yet contracted for	-	2 790 355
Infrastructure	-	2 790 355
Other	-	-

Total	52 249 902	16 594 908
--------------	-------------------	-------------------

This expenditure will be financed from government grants and internal funding.

- Grant Funded	13 024 367	15 904 546
- Council funded	16 225 535	744 185
- External Loans	23 000 000	-
- Funding still to be sourced	-	-
	52 249 902	16 648 732

Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	-	193 780
In the second to fifth year inclusive	-	122 901
After five years	-	-
Total	-	316 681

Operating lease payments represent rentals payable relate to the hiring of office equipment.

Operating leases – as lessor

The future minimum lease payments receivable under operating leases are as follows:

Minimum lease payments due

Within one year	223 703	253 653
In second to fifth year inclusive	161 611	626 254
After five years	-	290 749
Total	385 314	1 170 656

Operating lease payments receivable relate to rentals for the commonage, vacant land, airport hangers, buildings, advertising space and housing. Operating leases have been straightlined in accordance with GRAP requirements.

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
44 EMPLOYEE BENEFITS		
44 Defined Benefit Plans		
<i>Post-employment medical benefits</i>		
<p>The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health, Fed Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement.</p> <p>The independent valuers, One Pangaea, carried out a statutory valuation as at 30 June 2017.</p>		
Statement of Financial Position		
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:		
Balance at beginning of the year	52 809 372	45 779 000
Current service cost	2 175 433	4 184 000
Interest cost	4 920 147	1 537 000
Benefit payments	(1 960 276)	(1 804 551)
Actuarial (gains)/losses	(6 753 185)	3 113 923
	51 191 491	52 809 372
Transfer to current provisions	(2 023 691)	(1 818 182)
Total	49 167 800	50 991 190
Statement of Financial Performance		
Current service cost	2 175 433	4 184 000
Interest cost	4 920 147	1 537 000
Actuarial (gains)/losses	(6 753 185)	3 113 923
Total	342 395	8 834 923
Total Contribution to post employment medical	342 395	8 834 923
Total Contribution to long service (see note 14)	312 953	552 572
	655 348	9 387 495
Principal actuarial assumptions:		
Discount rate	10.03%	9.48%
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	8.83%	9.12%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63
Mortality pre-retirement	SA 85-90	SA 85-90
Pre-retirement mortality at 30 June 2017		
Mortality post-retirement		
(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)
<p>The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost inflation assumption is set out below:</p>		
Healthcare cost inflation sensitivity	1% decrease	Base (9.12%) 1% increase
Defined benefit obligation	58 507 118	51 191 491 45 275 613
Interest cost (next financial year)	5 160 968	5 033 019 4 844 605
Service cost (next financial year)	2 577 615	2 102 384 1 734 956

45 CONTINGENT LIABILITY

TP Biyela vs. Endumeni

The municipal manager of Endumeni Municipality had previously been on suspension pending the outcome of investigations into alleged irregularities. This case has now been closed and Mr TP Biyela has resumed duties at the municipality.

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R
W Ndlela vs. Endumeni		
Mr Ndlela was summarily dismissed for misconduct. This matter was finalised in favour of the municipality and the matter was then taken by Mr Ndlela to labour court for review. Settlement has been reached and the matter has now been closed. Mr Ndlela has commenced duties at the municipality.		
Endumeni/EJ Mbeje		
The appointment of Mr Mbeje was at the time that the suspended Municipal Manager had returned to office. In accordance with a Council resolution that was taken ultra vires, the appointments have been declared as illegal by the council, and the employees' services had been terminated. The matter has now been closed and Mr Mbeje has been awarded compensation equivalent to 12 months salary.		
Endumeni/SP Madlala		
Mr Madlala was unprocedurally promoted and given a salary increase during the period of instability at the municipality. The decision to do so was never approved by council, and the salary increase was reversed. Mr Madlala lodged unfair labour practice dispute at bargaining council. Arbitrator ruled in favour of the municipality. Ruling has been taken on review by SAMWU. Attorney's await further instruction from Endumeni.		
PG Mabilisa		
The matter was about an unfair dismissal of Mr. PG Mabilisa, the disciplinary hearing took place and the matter was concluded in favour of the municipality. The decision was appealed and taken to CCMA. This matter has now been closed and Mr PG Mabilisa has assumed duties at the municipality.		
Mrs CB Mkhize	290 000	
The Chief Financial Officer had been placed on suspension. A disciplinary hearing had been set down for the 22 to 24th August 2017. Several other legal cases in connection with the chief financial officer were also pending, being the review of the arbitration award, an urgent application to set aside the award and another arbitration matter was set done for the 10th August 2017. All the disputes were settled on the instruction of the Municipal Manager and a settlement agreement has been drafted awaiting approval of council.		
Endumeni Civic Association	150 000	
This a high court matter brought on by the Endumeni Civic Association. Endumeni Municipality is the first respondent. The matter is set down for the 30th October 2017.		
Endumeni Municipality VS Mbube Security & Ocean Dawn	40 000	
This matter has not been finalised. Attorneys awaiting instruction from council whether to set down or concede.		
ZW Anderson	8 000	
This matter is an eviction dispute between the Anderson's which have been served on Endumeni. The matter has not been finally set down.		
Endumeni Municipality VS Department of Labour	1 500 000	
Endumeni Municipality received summons from the Department of Labour for non-compliance with the deadline for submission of the Employment Equity Plan. The municipality intends to oppose the matter and the matter will be referred to council's attorneys.		

Endumeni Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	RESTATED 2016
	R	R

46 RELATED PARTIES

Related party transactions: Councillor E Adam

Expenditure:

General expenses for July 2016

6 933

60 643

Nature of transaction: Councillor E Adam who was a councillor in the month of July 2016 prior to the election whose spouse is the owner of a business that sells computer validated pre-paid tokens for the supply of electricity. A commission of 3.5% is paid monthly for providing this service. No commission is payable at year end.

47 EVENTS AFTER THE REPORTING DATE

No events after the reporting date noted for disclosure.

48 RISK MANAGEMENT

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Financial assets exposed to credit risk at year end were as follows:

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Cash and Cash Equivalents	53 373 593	68 344 812
Financial guarantees	153 310	159 310
Trade and other receivables	16 029 640	19 455 024

Maximum Credit Exposure

69 556 543

87 959 146

These balances represent the maximum exposure to credit risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

49 RESTATEMENT OF COMPARATIVE INFORMATION

The municipality has early adopted the Municipal Standard Chart of Accounts (MSCOA). In order to comply with MSCOA, the Repairs and Maintenance expenditure has been reclassified as contracted services. The effect of the restatement is summarised below:

Statement of Financial Performance:

Repairs and Maintenance

(9 161 898)

Contracted Services - Repairs and Maintenance

9 161 898

-

50 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

50. COMPARISON TO BUDGET ANNEXURE E (1)

50.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual 2017 R	Budget 2017 R	Variance 2017 R	Variance 2017 %	Explanation of significant Variance greater than 15% versus Budget
REVENUE					
Revenue from exchange transactions	152 496 359	143 848 728	8 648 633	6%	
Service charges	127 544 126	132 519 843	(4 975 517)	-4%	
Rental of facilities and equipment	1 601 113	1 014 017	587 096	58%	Rentals of commonages contributed to this variance
Interest earned- external investments	4 472 819	3 928 000	544 819	14%	
Interest earned-outstanding receivables	214	4 200	(3 986)	-95%	Immaterial in value.
Licences and permits	4 313 219	4 196 700	116 519	3%	
Other income from exchange transactions	2 074 067	1 984 166	89 901	5%	
Gain on fair value of asset	12 491 000	-	12 491 000	100%	Fair value adjustments on Investment property was not catered for in budget.
Revenue from non-exchange transactions	143 773 039	143 040 198	732 843	1%	
Property rates	62 348 376	64 993 815	(2 647 439)	-4%	
Property rates- penalties imposed and collection charges	5 831 679	6 960 000	(1 128 321)	-16%	Penalties and Collection charges were less than budget estimates
Fines	2 369 184	1 321 380	1 047 814	79%	Fines accrual more than budget estimates
Government grants and subsidies	73 225 791	69 765 001	3 460 790	5%	
Total Revenue	296 269 398	286 686 922	9 582 476		
EXPENDITURE					
Employee related cost	91 977 330	93 084 905	(1 107 575)	-1%	
Remuneration of councillors	3 845 874	4 023 362	(177 488)	-4%	
Adjustment to bad debt debts provision	6 994 794	6 091 932	932 862	15%	Bad debt provision higher than budgeted. It was anticipated that debt relief initiatives and cleansing of debtors would reduce the debtors book.
Adjustment to landfill site provision	1 350 920	392 289	(1 743 209)	-444%	As per the professional engineers report, fluctuates based on prime rate.
Municipal Services Cost	3 688 135	3 971 140	(303 005)	-8%	
Depreciation	9 557 515	8 576 060	981 455	11%	
Amortisation	9 299	52 000	(42 701)	-82%	Immaterial in amount
Finance cost	509 786	585 043	(75 277)	-13%	
Bulk purchases	81 492 020	77 185 621	4 306 199	6%	
Contracted services	14 599 274	12 712 486	1 886 788	15%	
General expenses	56 252 937	49 738 314	6 514 623	13%	
(Impairment loss) / Reversal of impairment loss	1 226 315	625 000	601 315	96%	Conditional assessments of assets are done yearly. Budget estimates for impairment was lower than actual.
(Impairment loss) / Reversal of impairment loss inventory	93 407	80 643	12 764	16%	More redundant stock than estimated
Retirement and long services benefits	655 348	6 495 000	(5 839 652)	-90%	As per actuarial valuation report
Total Expenditure	289 531 094	263 583 995	5 947 099		
NET (DEFICIT) / SURPLUS FOR THE YEAR	26 738 304	23 102 927	3 635 377		

ENDUMENI MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

50. COMPARISON TO BUDGET (Continued) ANNEXURE E (2)

50.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2017 Actual R	2017 Total Additions R	2017 Budget R	2017 Variance R	2017 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Corporate Services	696142.74	696 143	1 098 320	(402 177)	-37%	
Financial Services	368632.01	368 632	2 895 818	(2 527 186)	-87%	
Municipal Manager	873229.49	873 229	2 812 350	(1 939 121)	-69%	
Technical Services	28955851.75	28 955 852	29 771 388	(815 536)	-3%	
Planning and Development	339493.9	339 494	585 000	(245 506)	-42%	
	31 233 350	31 233 350	37 162 876	(5 694 020)	-15%	Underspending was mainly due to the fire engine that was ordered but could only be delivered by the service provider in the new financial year.

The appendix includes additions figures for Property, Plant and Equipment (note 8) and Intangible Assets (note 9) only.

Endumeni Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2017

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2016	Received during the period	Accrued Interest	Redeemed / written off during the period	Balance at 30 June 2017
ANNUITY LOAN							
DBSA @ 17%	13268/102	31/03/2018	2 680 035	-	58 906	1 290 197	1 448 744
DBSA @ 17%	13268/202	31/03/2018	1 379 722	-	30 326	664 213	745 835
DBSA @ 17%	13268/302	31/03/2018	1 260 209	-	27 699	606 678	681 230
Total Annuity Loans			5 319 966	-	116 931	2 561 088	2 875 809
TOTAL EXTERNAL LOANS			5 319 966	-	116 931	2 561 088	2 875 809

as at 30 June 2017

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Endumeni Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016

31 at 30 June 2016															
	Cost				Accumulated Depreciation				Accumulated Impairment				Carrying Value		
	Opening Balance	Prior Period Errors	Restated Opening Balance	Additions	Assets under construction Released	Disposals	Closing Balance	Opening Balance	Prior Period Errors	Depreciation	Disposals	Closing Balance		Opening Balance	Impairment adjustment
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	61 044 317		61 044 317				61 044 317								61 044 317
Buildings	28 164 943	5 343 375	33 548 318	60 217	959 731		34 565 266	(13 978 759)	(439 118)	(837 838)		(14 845 701)	(890 205)	(5 603)	(895 838)
Infrastructure - Electricity	38 656 686		38 656 686	-1 330 289	1 180 713	-64 032	36 443 068	(16 867 914)	(215 021)	(215 021)	17 053	(16 566 862)	(175 239)	(23 153)	(168 402)
Infrastructure - Roads	128 651 346	7 753 719	134 705 064		21 176 566	-422 385	155 459 367	(36 976 637)	(723 554)	(4 539 206)	231 433	(42 007 954)	(3 303 565)	(45 487)	28 338
Assets under construction	46 688 721	-29 335 655	17 353 775	31 804 526	-23 460 332		25 697 871	0				0			25 697 871
Infrastructure - Other	7 373 730		7 373 730	8 900	188 320	-11 014	7 537 666	(3 028 029)		(464 528)	5 207	(3 467 333)	(151 529)	(14 478)	5 398
Machinery & Equipment	9 619 152		9 619 152	2 168 666		-1 796 627	10 312 111	(6 219 124)		(530 064)	1 389 516	(5 368 652)	(475 374)	(1 789)	313 306
Furniture & Fittings	7 925 527		7 925 527	1 005 260		-1 190 488	7 630 306	(6 328 359)		(447 035)	1 103 634	(5 671 890)	(62 359)	(4 789)	28 232
Motor Vehicles	9 646 461		9 646 461	1 317 401		-1 000 390	9 962 462	(5 599 359)		(548 770)	753 779	(5 384 349)	(178 332)	(13 899)	163 268
Leased assets	10 468		10 468			-509	9 979	(6 257)		(548)	509	(8 296)	0		0
Housing	1 247 483		1 247 483				1 247 483	0				0	(225 768)	(11 146)	(236 845)
Total Property, Plant and Equipment	335 638 914	-16 138 862	319 440 051	35 555 913	-	-4 475 635	350 120 329	-46 186 417	-1 152 673	(7 562 020)		(53 450 074)	(5 558 423)	(120 474)	538 542
Intangible assets	915 576		915 576	10 921			926 797	(863 784)		(11 525)		(895 319)			251 546 901
Investment Properties	22 464 034		22 464 034	3 013 066			25 478 000								31 476
Total Assets	359 018 924	-16 138 862	341 880 062	38 568 900	-	-4 475 635	376 826 126	-46 186 417	(1 152 673)	(7 602 845)		(54 345 393)	(5 559 423)	(120 474)	636 842
															277 065 376

Endumeni Municipality

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2017

as at 30 June 2017														
Cost / Revaluation					Accumulated Depreciation					Accumulated Impairment				
Restated Opening Balance R	Additions R	Fair Value/ Donations	Additions Infra	AUC Released R	Disposals R	Closing Balance R	Restated Opening Balance R	Depreciation R	Disposals R	Closing Balance R	Opening Balance R	Impairment adjustment R	Disposals R	Closing Balance R
Corporate Services	43 306 115	1 560 984	30 563	(1 712 882)		43 184 780	15 674 766	1 313 592		16 988 358	446 238	1 011 063		1 457 300
Financial Services	38 040 532	368 632		(3 406 239)		35 002 925	4 158 429	596 496		4 754 925	839 209	63 929		903 137
Municipal Manager	54 933 507	873 229	13 301 800			69 106 536	2 064 443	335 784		2 400 228	11 685			11 685
Technical Services	240 244 972	3 677 686		5 119 121		273 794 598	72 427 757	7 320 943		79 748 700	3 846 223	151 324		3 997 546
Total	376 525 126	6 480 531	13 332 363	24 752 819	0	421 030 839	94 325 395	9 566 814	-	103 892 209	5 143 354	1 226 315	-	6 369 669
														310 828 961

The appendix includes figures for Property, Plant and Equipment (note 8), Intangible Assets (note 9) and Investment Properties (note 10).

Endumeni Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

as at 30 June 2017

2 016		2 016		2 017		2 017	
Actual Income	R	Actual Expenditure	R	Surplus / (Deficit)	R	Actual Income	R
15 568 074		44 949 338		(29 381 264)		11 774 444	
73 068 224		50 429 872		22 638 352		77 774 314	
42 750 744		15 996 315		26 754 429		43 438 700	
148 837 480		141 486 194		7 351 285		159 892 547	
5 414 140		701 143		4 712 997		3 389 393	
				Planning and Development			
285 638 662		253 562 863		32 075 800		296 269 398	
				Total		269 531 094	
							26 738 305

The inter-departmental charges have been allocated per segment for the current and prior years.